

16 April 2024

Final report by the Complaints Commissioner**Complaint number 202300692***The complaint*

1. On 16th January 2024, you submitted a complaint about the FCA to my office.

Your FCA complaint

2. The FCA summarised your complaint as follows: *"...in July 2022, your insurance premium rose by 39% with no claims in the previous 12 months. You have raised this with the insurance company and later to the Financial Ombudsman Service (FOS) who both confirmed that the excessive increase was a result of the FCA changing regulations in 2022 with regard to premiums for new and existing customers. You have said that the FCA have not correctly considered the impact of the regulatory change and the way in which insurance companies could set premiums especially with the current cost of living issues we currently face. You have not stated the remedy or outcome you are seeking from this complaint."*

What the regulator decided

3. After careful consideration, the FCA decided not to: *"investigate your complaint under the Complaints Scheme. This is because the Complaints Scheme covers the investigation of complaints that arise in connection with the exercise of, or failure to exercise, any of the FCA's relevant functions."*
4. *The 'relevant functions' of the FCA are defined in the Complaints Scheme and Part 6 of the Financial Services Act 2012, and broadly speaking cover the FCA's regulatory functions that arise under the Financial Services and Markets Act 2000, or such other functions as may be ordered by HM Treasury.*

202300692

Expressly excluded from the definition of 'relevant functions' is anything arising from the FCA's exercise of legislative functions or standards review functions.

5. *'Legislative functions' of the FCA include the making of rules, and the issuing of general guidance. Your complaint relates to the price increase in insurance premiums due to FCA's change in regulations regarding insurance renewal, which is an exercise of our legislative functions.*
6. *Therefore, your complaint is excluded from being considered under the Complaints Scheme, as confirmed in paragraph 3.4(c) of the Scheme."*

Why you are unhappy with the regulator's decision

7. *In setting out your complaint to me, you state that: "The FCA changed the rules guidance to Insurance companies in 2022. I suffered a large increase in premiums. The FOS identified that my Insurance Company had acted correctly within the rules the FCA had introduced. Therefore said rule changed had caused large premium increases for existing Customers of Insurers. The FCA has declared that its Rule making processes cannot be complained against."*
8. *Your desired outcome is for the FCA to: "Consider the Impact of their actions properly."*

My analysis

9. *Before I submit my decision, I would like to briefly set out the circumstances of your case. Upon renewing your home insurance policy in July 2022, you discovered that your annual insurance premium rose from £543.29 per year to £735.31 per year with no claims made in the previous 12 months; in other words, it increased by some 39%. You raised this issue with your insurance provider and the Financial Ombudsman Service, however they both "confirmed that the excessive increase was a result of the FCA changing regulations in 2022 as regards premiums to new and existing customers".*
10. *I have reviewed your complaint along with the supporting material and have come to the conclusion that your complaint is concerned with the exercise of the FCA's legislative functions as defined above and, as such, is excluded under Scheme. This is because at the heart of your complaint lies dissatisfaction with the outcome of the implementation by the FCA of new rules on insurance*

pricing. Complaints about the making of rules or guidance, or suggesting the regulators have inadequate rules or should have specific rules, fall outside of the scope of the Scheme.

11. Your desired outcome is that the FCA “*Consider the Impact of their actions properly.*” In the Preliminary Report issued on 21st March 2024, I invited the FCA to comment on whether the impact of the regulatory changes as regards premiums to new and existing customers underwent any assessment. The FCA have responded to advise that all policy changes undergo a Cost Benefit Analysis (CBA) to understand the impact of regulatory changes on consumers and firms. The FCA’s policy statement on general insurance pricing, including the CBA, can be found [here](#). Furthermore, I note that whilst the FCA did not investigate your complaint, it included a helpful explanation as to why your insurance premium may have gone up in its decision letter. It said:

“Inflation continues to have a significant impact on the price of insurance, mostly because the cost of repairs has gone up. Recent research by the Association of British Insurers (ABI) estimates that the cost of vehicle repairs has increased by 33%. Insurers have told the ABI that inflationary claims cost increases include:

- Energy inflation adding to each repair.
- Average paint and material costs have increased by nearly 16%.
- Courtesy car costs to repairers are increasing at around 30%.
- In addition, the average price of second-hand cars has jumped by 30% in three years.

Unfortunately, additional costs associated to the fulfilment of claims is likely to result in an increase in the premiums charged by insurers, as they need to be able to sufficiently cover these costs”.

12. I appreciate you have said the double whammy of an increase in insurance premium at the time of the cost of living crisis will add unnecessary financial pressure. However, the purpose of the change in the regulation was to ensure that insurance firms deliver fair value on all their insurance products, and as the

FCA has explained, inflation has increased costs to everyone including insurance companies, which has necessitated the increase in their premiums.

My decision

13. In view of the above, I agree with the FCA that your complaint is excluded from the scope of the Scheme.

Rachel Kent

Complaints Commissioner

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