

Dame Meg Hillier MP
Chair of the Treasury Select Committee
House of Commons
Palace of Westminster
London SW1A 0AA

30/06/2026

Dear Dame Meg

Follow-up to oral evidence session on 24 June 2026

Thank you for inviting Money Advice Scotland to provide further information following the oral evidence session. I am writing to provide further detail on the areas raised by the Committee during that session.

1. Main consumer harms in the insurance market, including consumer groups who may be uninsurable and the impact of AI and hyper-personalisation

Insurance is a fundamental component of financial resilience and financial inclusion. However, Money Advice Scotland is increasingly concerned that rising costs and changing market practices mean that appropriate insurance is becoming less accessible for many households. From Money Advice Scotland's perspective, one of the most significant issues is affordability. We are increasingly concerned that insurance is becoming unaffordable for some households, resulting in consumers reducing levels of cover or foregoing insurance altogether. While insurance is designed to improve financial resilience, rising premiums risk creating a situation where those with the greatest need for protection are least able to obtain it.

Rising insurance costs also contribute to the wider poverty premium experienced by people on low incomes. Those least able to absorb financial shocks may pay proportionately more for essential insurance, or be unable to access appropriate cover at all, reinforcing existing financial inequalities.

Certain consumer groups are particularly affected, including people on low incomes, those living in areas with higher flood or crime risk, younger drivers, people with previous claims histories and individuals with health conditions. For some consumers, insurance is becoming prohibitively expensive or unavailable on affordable terms.

Our advisers are increasingly seeing consumers making difficult decisions about whether to reduce cover, increase excesses or go without insurance altogether because of affordability pressures.

Money Advice Scotland also notes concerns about the cost of paying insurance premiums monthly. Consumers who cannot afford annual premiums frequently pay significantly more for the same insurance through premium finance arrangements. This can contribute to the wider poverty premium experienced by lower income households and merits continued regulatory scrutiny.

The increasing use of AI, machine learning and hyper-personalisation presents both opportunities and risks. Better risk assessment may improve pricing accuracy and reduce fraud. However, it also raises concerns about exclusion if increasingly granular pricing results in some consumers facing unaffordable premiums or effectively becoming uninsurable. Money Advice Scotland believes there is a need to ensure that increasing use of AI does not reduce transparency, make it harder for consumers to challenge decisions, or disadvantage those who are digitally excluded.

As firms increasingly use AI in underwriting, pricing and claims handling, they should be able to demonstrate that these systems are subject to appropriate governance, testing and ongoing monitoring to identify unintended bias or discriminatory outcomes. This is particularly important where automated decisions materially affect a consumer's eligibility for insurance or the price they are asked to pay. Consumers should also have access to meaningful explanations and human review where appropriate. This is particularly important where decisions significantly affect affordability or access to essential financial protection.

Money Advice Scotland is particularly concerned that highly personalised pricing may reduce the principle of risk pooling that underpins insurance. Consumers with multiple indicators of risk may face cumulative disadvantage despite having limited ability to influence those factors.

Consumers should also receive explanations that are understandable and sufficiently detailed to enable them to challenge decisions where appropriate.

Finally, digitalisation should not remove access to human support. Many consumers seeking debt advice already experience financial difficulty, low confidence or digital exclusion. They should continue to have accessible routes to discuss decisions, challenge outcomes and receive clear, understandable explanations.

2. Money Advice Scotland's view of the FCA's intervention in the insurance market

Money Advice Scotland welcomed the FCA's intervention to address the loyalty penalty, which improved fairness for renewing customers. However, from the perspective of people seeking debt advice, affordability remains a growing concern. Consumers are increasingly making difficult decisions about whether to reduce cover, increase excesses or go without insurance altogether. We therefore encourage the FCA to assess interventions not only by whether they improve pricing practices, but also by whether consumers can continue to access appropriate insurance and maintain financial resilience.

The FCA's Consumer Duty also provides an important framework for considering fair value, consumer understanding and consumer support. We would encourage the FCA to continue monitoring not only pricing but also claims handling, product design, consumer understanding and the accessibility of support, particularly as firms increasingly use AI and digital channels.

As firms increasingly use AI and automated underwriting, it will be important for the FCA to ensure that consumers understand decisions affecting premiums or access to cover and can obtain meaningful human review where appropriate.

The success of regulatory intervention should be judged not only by market indicators but by whether consumers can continue to access appropriate insurance, understand the products they purchase, and receive fair treatment when making a claim.

We would also encourage continued engagement with consumer organisations and the advice sector to identify emerging harms that may not be immediately visible through complaints data alone.

3. Basic insurance products

Money Advice Scotland believes there is merit in exploring whether a basic insurance product could improve financial inclusion in certain markets.

The concept of a basic bank account demonstrates that it is possible to provide a minimum level of access to essential financial services while managing commercial risk. A similar approach could be considered for essential insurance products where access has become increasingly difficult.

Any such product would need careful design. It should provide meaningful protection rather than simply low cost, have clear and transparent terms, and avoid creating a two-tier market in which consumers with fewer financial resources receive substantially poorer cover.

Rather than replacing existing commercial products, a basic insurance product could provide an important safety net for consumers who might otherwise remain uninsured. The Committee may wish to explore whether there are particular markets, for example home contents insurance for low income households or certain forms of motor insurance, where a minimum standard product could improve financial resilience without undermining competition.

More broadly, Money Advice Scotland believes that insurance should continue to be viewed as an important component of financial inclusion. Consumers who are unable to access affordable insurance are often more vulnerable to financial shocks, potentially increasing reliance on debt or public support following unexpected events.

The development of any basic insurance product would require close collaboration between government, regulators, insurers, consumer organisations and the advice sector to ensure that products remain commercially viable while meeting the needs of consumers who might otherwise struggle to obtain appropriate cover.

Money Advice Scotland would be pleased to provide any further evidence that would assist the Committee's consideration of these issues. I hope that the Committee finds these answers helpful.

Yours sincerely



Janine Rennie
Chief Executive