

Dame Meg Hillier MP
Chair, Treasury Committee
House of Commons
London
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Monday 6th July 2026

Dear Chair,

Thank you for providing Which? with the opportunity to give oral evidence to the Committee on Wednesday 24th June. This was timed at a critical juncture, as the Financial Services and Markets Bill introduces changes to the Financial Ombudsman Service that Which? believes will undermine the ability of consumers to obtain timely redress when they have an issue with a financial product.

During the session members of the Committee asked panellists to follow up regarding questions on the insurance sector. I am pleased to set out further information on each question below.

Consumer Harm in the Home and Travel Insurance

In September last year we submitted a super-complaint to the Financial Conduct Authority regarding consumer harm in the home and travel insurance markets. This was based on longstanding concerns about consumer harm in these markets, backed up by a series of major research reports plus new legal and policy analysis. This was the first time in nine years that Which? used its legal powers given to us by Parliament to submit a super-complaint.

The FCA accepted the super-complaint and announced five new and expanded pieces of work. The House of Lords Financial Services Committee has now also launched an inquiry into these harms. We have submitted written evidence to that Committee which outlines the evidence of consumer harms, our view on the current work of the FCA in response, and our policy recommendations. I am pleased to attach this written evidence as a private annex that sets this out in more detail, and I note this evidence will very soon be published by that Committee.

Consumers who may be uninsurable

We were pleased to use [the Which? fund](#) to support [research by Money and Mental Health on the issues people with pre-existing medical conditions face accessing travel insurance](#). This can include paying higher premiums for the same cover, having more situations excluded from the insurance or being declined altogether.

In an online mystery shopping exercise of 15 travel insurers, a 'customer' who has experienced severe bipolar disorder was turned down by 9 of the providers. When cover was offered, the price quoted was 6 to 27 times higher than that quoted to a customer without a mental health problem.

Insurance companies are allowed to treat people with health conditions differently when it comes to pricing decisions and what cover is offered. But under the Equality Act, that different treatment needs to be backed up by reliable and relevant information. The opaque nature of decision making in the industry, however, means there is little transparency about what data is used and whether firms are following the rules. Money and Mental Health's recommendations include calling for an FCA review of how data is used for pricing.

Data and pricing: Hyperpersonalisation, AI and non-risk factors

The [FCA has previously found](#) that some insurance pricing models use more than 400 factors, including data on a consumer's buying and media habits, such as which web browser they use. As well as using these data to determine risk, the FCA found that data points are also used by most firms to optimise prices based on customers' propensity to purchase, renew or buy ancillary products or services.

Such sophisticated price discrimination has a degree of personalisation that may reduce overall consumer welfare and lead to harm for vulnerable consumers. [Our research on the use of consumer data](#) suggests that society may well view this form of price discrimination as egregious.

The use of AI could further turbo-charge firms' ability to use data to hyper-personalise prices. This could lead to financial exclusion and financial harm as some consumers are offered insurance premiums that are less competitive than those offered to others. This in turn means more people being priced out of accessing insurance products. It may also make it even harder for stakeholders to identify and challenge systemic unfairness. In response, regulators need to be more sophisticated and proactive in understanding firms' evolving business models, and in developing the ongoing data and insight they need to identify and tackle consumer harm.

In the USA, [the National Association of Insurance Commissioners](#) (the body representing state regulators) has recommended that some practices of adjusting actuarially-determined prices are inconsistent with insurers' statutory requirement not to be unfairly discriminatory. These are adjustments on the basis of: price elasticity of demand; propensity to shop for insurance; propensity to ask questions or complain; and retention analysis. In response a number of US states issued bulletins warning firms about the use of price optimisation. For example, in 2015 [California adopted a policy](#) in which the use of any non-risk based factors in the pricing of general insurance is considered unfairly discriminatory and pricing models must be approved by the state's Insurance Commissioner.

We believe the Government should legislate to restrict the use of non-risk factors in insurance price modelling, including to prohibit firms from using a customer's likelihood of renewal or the likelihood of a consumer entering into negotiation when setting a price.

Our view on the FCA final report on Premium Finance

Separately to our super-complaint on home and travel insurance, we also conduct an ongoing survey tracking excessive monthly APRs charged by home and motor insurers to those who pay monthly. Almost half of motor and home insurance customers use premium finance and a significant proportion do so because they cannot afford to pay annually. We thank the Committee for their interest on this issue, which helped convince the FCA to undertake a market study.

The FCA [final report](#) in March largely confirmed our concerns that there is a poverty premium where the most financially resilient customers pay the least, while those in difficulty are charged excessive rates that do not reflect the actual lending risk. However, while the FCA report noted some welcome action on some insurers, and noted savings of £150m per year for consumers, it ultimately failed to properly address the problem.

Firstly, the FCA's intervention was too narrow to address a problem that our surveys consistently show is widespread across the market. Though it reviewed 10 firms with high APRs, the FCA ultimately agreed reductions from just three insurers, reflecting a misplaced view that this problem only lies with a few bad apples.

Secondly, their intervention was too shallow. The FCA focused primarily on firms charging above 30 per cent APR, creating the impression that any rates below this level are legitimate, even though they rival rates charged by credit cards. Credit card products hold more risk for the company as, unlike someone failing to repay a credit card, insurance coverage can be cancelled if there is a failure to repay. [When we conducted another survey in June following the FCA's report, it revealed that many motor insurance providers and brokers are indeed now charging APRs just a hair under 30 per cent.](#)

Third, the FCA's actions were so reserved that they gave little incentive for firms to follow the rules or improve their practices. The few firms that were made to reduce rates faced no consequences. It is difficult to see why there is no discussion of redress where firms have been charging customers, many on low incomes and more likely to be in vulnerable circumstances, more than a fair price for years. Without penalties or compensation firms that have fallen short have little incentive to change practices proactively and customers will not receive redress for past harm.

We also found it peculiar that the FCA chose to rule out possible solutions like a ban on premium finance in favour of a limited supervisory approach, without conducting the full

economic modeling required to confirm whether pricing remedies could work. Without that evidence, we remain unconvinced that bolder action is not possible. Many firms already offer a pay monthly option at no extra cost, particularly in home insurance. This illustrates that more ambitious reform may be possible without destabilising the market.

Basic insurance product

There is a longstanding problem with the hollowing out of insurance products, which has meant the idea of an essential basic insurance product that must be offered is often put forward as a solution. The same logic already applies to Basic Bank Accounts.

However, we think setting out what should be in a basic insurance product would be extremely difficult to determine and to update over time. Basic bank accounts are a very simple product, whereas insurance products cover many different risks and have many more terms and conditions associated with the cover. There is a difficult trade-off with affordability for different groups of consumers, especially on the levels of cover and excesses. Whereas with a bank account what is considered essential is largely the same for everyone: the ability to make deposits and debit card payments without any fees.

Improvements to tackle this issue can and should be made under the Consumer Duty. The FCA's Consumer Duty guidance states that products should be designed to meet the reasonable expectations of the consumers they are intended for. Firms should also be preventing foreseeable harm, which clearly includes rejected insurance claims. Yet we have found examples such as storm and flood definitions in home insurance which very often do not meet consumers' expectations or industry standards. In travel insurance, examples include airline failure cover being removed from many policies, despite being important to consumers.

Firms should be able to show that they have addressed common causes of rejected and partially rejected claims where these involve areas that could have been covered. They should also be able to show how they have considered the reasonable expectations of their intended target market when designing products.

The FCA needs to be much more proactive in challenging firms and forcing changes in products across insurance markets, so that firms are competing on good customer outcomes rather than a race to the bottom on price, to the detriment of consumers who are unfortunate enough to need to make a claim. This may require specific guidance or warnings to be published, but does not necessarily require new rules. It will also require the FCA to develop much better insight on the issues that are driving poor outcomes, including by improving its General Insurance Value Measures (see our specific recommendations on this at point 29 of our written evidence).

My team and I would be very happy to discuss these areas further with you or the Committee. Thank you again for allowing me to give evidence on the many challenges facing consumers in financial services.

Best wishes

A handwritten signature in black ink, appearing to read 'Rocio Concha', with a stylized flourish at the end.

Rocio Concha
Executive Director of Policy and Advocacy & Chief Economist
Which? (the Consumers' Association)