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Dear Anabel,

Thank you for your letter of 14 May accompanying your petition. We recognise the strength of views expressed by the large number of signatories.

The insurance market is vital. It provides consumers with peace of mind should things go wrong. As we discussed at our meeting on 10 February, that's why we've been so focused on how the market is operating and why we committed to further work to ensure consumers get fair value in our new strategy.

We welcome a constructive dialogue as we progress our work, which I summarise below.

The Consumer Duty set new, higher standards across retail financial services, including insurance. Insurers must be sure the price customers pay is reasonable compared to the benefits they receive.

We brought in measures to protect consumers from the loyalty penalty¹ in home and motor insurance markets and are currently evaluating their impact.

We reviewed firms' practices² after seeing evidence that some consumers were being offered lower settlements than their vehicle's market value when it was written off. This led to us asking firms representing 70% of the market to carry out reviews and, where needed, to provide consumers with redress.

We agreed a temporary pause in the sale of Guaranteed Asset Protection (GAP) insurance products, following concerns that consumers were not receiving fair value. Firms made changes to commission structures, which we estimate will save consumers £70m.

¹ <https://www.fca.org.uk/news/press-releases/new-year-delivers-fairer-home-motor-insurance-renewals#:~:text=The%20new%20rules%20brought%20in,practice%20known%20as%20price%20walking.>

² <https://www.fca.org.uk/publications/multi-firm-reviews/findings-multi-firm-review-insurers-valuation-vehicles>

This summer, we will publish an interim report on our market study into whether those who pay monthly (so-called premium finance) for their insurance are receiving fair, competitive deals. Over 20 million people are estimated to pay for their insurance this way (with costs averaging 20-30%) and our research shows that 79% of adults in financial difficulty pay monthly for their insurance. At the same time, we expect to publish a review into firms' handling of claims on home and travel policies.

The cost of motor insurance has risen over the last four years. That has had a significant impact on consumers who have already been struggling with the increased cost of living. We are now starting to see motor premiums stabilising, as they have fallen for the second consecutive quarter.³

Higher premiums have largely been driven by increases in the number of claims and the cost of settling them – with car parts, building materials, labour and energy costing more over recent years. We are currently looking into the impact of motor premium increases, and specifically at how they affect groups of consumers like younger people and those on lower incomes.

As we've shown, we won't hesitate to act where we find harm and to ensure people receive fair value. We will be evidence-led as we do so and will consider whether such changes might have unintended consequences. That's crucial in building the trust required for people to buy cover and to ensure that when we act, we support consumers' access to the insurance they need.

I hope this information has been helpful in confirming our ongoing focus. We would be happy to arrange a further update after we publish the findings of our work.

Yours sincerely

Nikhil Rathi
Chief Executive

³ [https://www.abi.org.uk/news/news-articles/2024/112/motor-premiums-fall-for-the-second-consecutive-quarter/#:~:text=The%20average%20motor%20insurance%20premium,of%20British%20Insurers%20\(ABI\).&text=This%20is%20the%20second%20consecutive,2%25%20drop%20in%20Q2%202024](https://www.abi.org.uk/news/news-articles/2024/112/motor-premiums-fall-for-the-second-consecutive-quarter/#:~:text=The%20average%20motor%20insurance%20premium,of%20British%20Insurers%20(ABI).&text=This%20is%20the%20second%20consecutive,2%25%20drop%20in%20Q2%202024)