'Why am I being charged triple on my home insurance for being a loyal customer?'

The Telegraph

By James Connington | Telegraph – Sun, May 29, 2016 07:12 BST

Common sense would dictate that being loyal to a company should result in a financial reward – such as better price, or higher return.

But no. How naive. The reality is that customers who stay put end up paying more – in the form of a “loyalty tax”.

Worst offenders include insurers , where customers who don’t move suffer steep rises in premiums – while the best prices are offered to new customers.

Telegraph Money reader William Mallier, 51, has been a customer of Halifax for nearly 30 years, having previously worked for the building society-turned bank, now part of Lloyds Banking Group (Other OTC: LLOBF - news) .

Since moving into their home in 2006, Mr Mallier and his wife have held a buildings and contents insurance policy with Halifax. Over this time, the annual premium has increased from £210 to £607 for the latest premium renewal quote, despite the couple having never made a claim.

Using the Halifax website, he was able to obtain a quote for slightly different but comparable cover for £165.07, which included a £50 cashback discount.

Aside from one year, 2010-11, their premium has risen every single year, with an annual increase of 11.7pc.

The biggest increases happened since the financial crisis, during which time inflation has been at record lows .

Was this a period in which insurance costs were rising across the board? No: from 2012 to 2016, according to the Association of British Insurers, the average household insurance premium has been gradually declining.

Throughout the years, the renewal notices sent to Mr Mallier informed him that a “Valued Customer” discount had been included in his renewal cost.

Insurance premium tax , which is included in the price of the vast majority of insurance products, has increased recently, moving from 6pc to 9.5pc in 2015, then to 10pc later this year (for the standard rate). However, this accounts for only a small proportion of the increase experienced by Mr Mallier and his wife.

Should companies have a duty to tell you that you’re overpaying?

Some say consumers should be switched on enough to spot companies’ dirty tricks – it’s a case of *caveat emptor,* or “buyer beware”.

But critics of the insurance industry say companies should be forced to alert customers to opportunities to save money – as happens in other sectors, such as energy.

According to Mr Mallier, at no point did Halifax tell them an alternative policy offered similar cover for a lower cost.

In a letter to Halifax, Mr Mallier complained: “None of the numerous renewal notices provided us with the crucial information that our current premium was uncompetitive.”

Halifax then provided a new renewal quote, knocking £120 off the price, effectively undoing the past three years of increases – but offering no justification of why such increases had been applied.

A Halifax spokesman said some of the increase could be attributed to policy amendments made in 2011.

“As is common across the insurance industry, we offer introductory discounts to new customers in order to remain competitive in the market.

“We make it clear to customers in their renewal documents that they are free to either call us to discuss and review their needs or to choose not to renew their policy.”

The renewal documentation sent to Mr Mallier did contain all of this information, as Halifax stated.

However, in the years preceding 2014, this phrase (or similar) was included prominently: “Unless your needs and circumstances have changed, there is no need for you to contact us – your insurance will automatically renew.”

In 2014 to 2015 the sentence was elongated and moved up, before being removed in 2016, where it was made much clearer that there were other options to consider. In the past, Mr Mallier has also been sent marketing leaflets with “There’s no need to shop around” on the front cover.

Halifax added that the product currently for sale online, which Mr Mallier obtained a quote for, and the existing product were not the same, so “are not directly comparable”.

There may be differences under the bonnet, but both come with the same excess of £100 on buildings and contents claims and include legal cover. In fact, the cheaper online quote includes £2,500 of personal belongings cover, which the existing cover does not.

Mr Mallier’s case is an extreme one in the realm of home insurance, according to independent policy experts. Even (Taiwan OTC: 6436.TWO - news) bigger disparities occur in the car insurance market . According to data compiled by comparethemarket.com, the average premium (which can be seen as a proxy for renewal premiums) for home insurance is 13pc higher than the best price available.

For car insurance, the average premium is 20pc higher.

Kasey Cassells, insurance expert at Uswitch, explained that most insurers only offered cheaper insurance to new customers to entice them.

Thereafter the cost rises steeply. Only those policyholders who switch routinely each year win the game.

She (Munich: SOQ.MU - news) said: “Whether it’s insurance, energy or banking, staying with the same provider rarely gets you the best deal. Insurers are always looking to win new customers by offering great rates. Never fall in to the trap of thinking loyalty pays.”

The Financial Conduct Authority is due to bring in new rules which will require insurers to display the previous year’s premium on every renewal premium quote, to ensure policyholders are aware of the extent of any increases.

In Mr Mallier’s case, the extent of the price rises only became apparent because of detailed record-keeping.

Millions simply fail to notice.

Have you been subject to a "loyalty tax"? Email james.connington@telegraph.co.uk

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