

The complaint

Miss W has complained about the amount Wakam charged for her pet insurance policy and how it handled her claim.

What happened

Miss W took out a pet insurance policy starting on 20 May 2022 for her dog, whom I'll refer to as X. She told Wakam that X was a medium mixed-breed dog weighing between 10 and 20kg and about 8 or 9 years old. Based on that the premium was £960 a year.

In April 2023 Wakam told Miss W her premium would increase on renewal to £1,864 a year. When Miss W complained about the amount of the increase, Wakam explained that various factors had led to the price increase, including X being a year older, vet fee inflation and her location. Due to a change in the policy excess the premium was later recalculated to be £1,958 a year from the renewal date.

On 17 May 2023 Miss W made a claim for vet treatment costing £4,871. During the course of the claim Wakam became aware that X weighed over 20kg and so should be classed as a large mixed-breed dog. Wakam told Miss W in the light of this her premium would increase to £3,254 a year. Wakam asked her to agree to the increase in premium. It said if she didn't do so, the policy would continue as it was but it wouldn't pay her claim. The policy renewed on 20 May 2023. Miss W complained about the amount of the increase and the fact that she had to make a one-off payment of £336 to pay off arrears. She referred her complaint to this service.

I issued a provisional decision explaining why I was minded to uphold the complaint in part. An extract from my provisional findings is set out below:

"The amount a business charges for insurance is a matter for its commercial discretion. In setting premiums Wakam is entitled to decide what risk factors to take into account and what weight to put on each of them. So long as Wakam has exercised this discretion fairly, then I'm unlikely to say it has been unreasonable."

Although I can't say what the price should be, I can look at whether Wakam treated Miss W fairly. That means seeing whether Wakam has applied the risk factors it uses for pricing her policy just as it would any other customer in the same position as her. Wakam has provided evidence to us that indicates all customers in Miss W's position (taking into account factors such as her dog's age, breed and her postcode) would have the same increase applied. While I appreciate her concern about rising premium costs, I don't think she has been treated unfairly or unreasonably in that regard."

With regard to misrepresentation, the relevant law in this case is The Consumer Insurance (Disclosure and Representations) Act 2012 (CIDRA). This requires consumers to take reasonable care not to make a misrepresentation when taking out a consumer insurance policy. The standard of care is that of a reasonable consumer. If a consumer fails to do this, the insurer has certain remedies provided the misrepresentation is a qualifying misrepresentation. The remedy available to the insurer under CIDRA depends on whether the qualifying misrepresentation was deliberate/reckless or careless.

The price comparison site Miss W used asked her to select the size of her dog from three categories – up to 10kg, 10-20kg and over 20kg. In March 2022 before she had X, Miss W was told he weighed about 18kg. By September 2022 he weighed over 23kg and in May 2023 he weighed over 25kg.

I'm satisfied it was unreasonable for Miss W to rely on an estimate of X's weight from someone in the animal charity abroad that had been looking after him, particularly as it was near the top of a weight band and X was known to be underweight at that time. I think it would have been reasonable for Miss W to have checked with a vet or the rescue charity in the UK whose vet (unknown to Miss W) recorded X's weight as 21kg in May 2022. That would have provided a greater degree of accuracy.

I think Miss W was asked a clear question before taking out the policy and I'm not persuaded she took reasonable care when answering it. I don't think she acted deliberately or recklessly.

I need to consider whether Miss W made a qualifying misrepresentation. That is, whether the inaccurate information would have made any difference to the terms Wakam would have offered. I think it's clear that if Wakam had known X's correct weight, it would still have provided cover but at a higher premium.

However, CIDRA doesn't allow an insurer to increase the premium in the case of a careless qualifying misrepresentation. In these circumstances. Where there has been an underpayment of the premium, an insurer is only entitled to make a proportionate reduction in the amount of any claim paid. So, if for example, the premium actually paid was 60% of what it would have been if correct information had been provided, the insurer need only pay 60% of the claim.

In this case Wakam has told us it charged £960 by way of a premium for 2022/2023. If it had known about X's correct weight, it would have charged £1,428 for that policy year. That means it was only liable to pay 67% of the claim. Wakam didn't do this. It paid the claim in full (subject to the policy terms such as deduction of the excess) and didn't ask Miss W to pay the difference between what she actually paid in respect of the premium and what she should have paid for the year 2022/2023. Strictly speaking, Wakam should have given her the option of having her claim settled proportionately. But as she has benefited overall, I don't think Wakam has treated her unfairly.

Miss W's claim was made at almost the end of the policy year. Wakam revised the premium for the following year of 2023/2024 and required Miss W to pay the premium at the higher rate in order for her claim to be settled. I think Wakam was entitled to offer to renew the policy at the higher rate. But I don't think it should have required Miss W to pay the higher premium as a condition of settling the claim which fell in the previous policy year. Miss W should have been told she didn't have to renew the policy in order for the claim to be renewed. Based on what I've seen, I think it's more likely than not that she would have continued with the policy anyway so that she had ongoing cover for X.

Overall, although Wakam hasn't complied with CIDRA, I believe Miss W has benefited financially. But I do think it should pay Miss W compensation of £100 to reflect the impact on her of the stress and inconvenience caused by it not giving her the options she was entitled to under CIDRA."

Wakam accepted my provisional decision. Miss W made the following points in response:

- She didn't know her dog was underweight and relied on what she'd been told by the animal charity.
- She was concerned about the steep rise in premiums and asked whether Wakam could increase the premiums on renewal by as much as it likes.

What I've decided – and why

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

I apologise for assuming that Miss W knew her dog was underweight when she adopted him. However in March 2022 she'd asked the person caring for X abroad approximately how much X weighed and that person had replied "*about 18 kilos*". As this was only an approximate weight and close to the top of Wakam's weight band, I still think she was careless in not checking his correct weight before she took out the policy.

I appreciate that Miss W's premiums have risen steeply and naturally her forthcoming renewal is a concern to her. But as explained above, I can't tell Wakam what it should charge Miss W for her policy and so long as it hasn't singled Miss W out unfairly, it's entitled to price the policy as it thinks fit to cover the risk it's being asked to insure.

As neither party has provided any information which leads me to a different conclusion, my final decision is the same as my provisional decision.

My final decision

I uphold this complaint in part and require Wakam to pay compensation of £100 to Miss W.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss W to accept or reject my decision before 22 April 2024.

Elizabeth Grant
Ombudsman