

The complaint

Mr F complains that Wakam will not pay further claims on his pet insurance policy unless he agrees to pay a higher premium.

What happened

Mr F took out insurance for his pet dog in July 2019 and has renewed it in July each year since then. His dog's breed was recorded on Wakam's system as Boxer crossbreed.

He made a number of claims on the policy which Wakam accepted and paid but in October 2023, on reviewing a claim, Wakam noticed that the vet's notes recorded his dog as a Boxer, not a crossbreed.

Wakam said as Mr F's dog was a Boxer it would need to update its records, and this would lead to a small increase in the premium. It said claims would be put on hold until Mr F had paid the higher premium.

Mr F was unhappy and complained. In its final response to the complaint Wakam said:

- it accepted that policy documents sent to Mr F showed his dog as a Boxer
- it should have picked up on this before but, having now realised the breed was recorded incorrectly on its system, this had to be updated.

Wakam apologised for the delay and confusion and paid some compensation.

Mr F referred the complaint to this Service. Our investigator said as the policy documents sent in 2019 and at each renewal listed Mr F's dog as a Boxer, it wouldn't be fair to put his claims on hold or increase his premium before the next renewal; Wakam had had the opportunity to notice and correct the error whereas Mr F wasn't aware of it. The investigator said Wakam should pay the outstanding claims, together with interest, and should not increase the premium until the next renewal.

Wakam didn't agree. It said the problem had arisen because Mr F gave the wrong information when he originally bought the policy and he'd been paying the wrong premium ever since. Wakam said it wouldn't seek any extra payment for past years' premiums but it was fair to charge the right premium going forward.

Our investigator reviewed Wakam's comments but didn't change her view. She said even if there had been an error by Mr F in 2019, the policy had renewed several times and all the policy documents showed his dog to be a Boxer. He had no reason to think this was wrong.

As no agreement has been reached, I need to make a decision.

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.

The relevant industry rules and guidance say insurers must deal with claims promptly and fairly and not unreasonably reject a claim. They should provide helpful and accessible support to their consumers and settle claims promptly once settlement terms are agreed.

Mr F made some claims for prescription costs. These have been paid in the past and Wakam said they were fine, but it wouldn't pay any further claims because Mr F's dog had wrongly been recorded as a Boxer crossbreed rather than a Boxer. And it says this is due to incorrect information given by Mr F.

Insurers may choose what they wish to cover and how much to charge for it. It's not for me to say how Wakam should set its premiums. It has shown that the premium for a Boxer is slightly higher than for a crossbreed. So, going forward, it's fair that Wakam charges the appropriate premium for that breed, since that's what it would charge any consumer with a Boxer.

But for the current year, Mr F renewed the policy based on the premium he was told he'd have to pay. To increase the premium mid-way through the policy year, Wakam would need to show he had made a misrepresentation.

The relevant law – the Consumer Insurance (Disclosure and Representations) Act 2012 (CIDRA) – requires consumers to take reasonable care not to make a misrepresentation when buying an insurance policy. The standard of care is that of a reasonable consumer.

If a consumer fails to take reasonable care and makes a misrepresentation, the insurer has certain remedies if there is a qualifying misrepresentation, as defined in CIDRA. It would be a qualifying misrepresentation if Wakam can show it would have offered the policy on different terms (in this case, with a higher premium), if there had been no misrepresentation.

The first point to consider is whether there was a misrepresentation.

When he took out the policy, Mr F was asked to give the breed. Wakam no longer has a copy of what he actually said in 2019 but it has shown a screenshot from a similar online sale process, which shows information would have been given to help consumers select whether their dog was a pedigree, cross or mixed breed. It says Mr F selected 'Boxer crossbreed' and that wasn't correct.

Mr F says he has only ever said his dog was a Boxer. It's difficult to say now what he selected five years ago. His dog was rescued from abroad so the exact breed may have not been certain.

In any event, Mr F has renewed the policy every year since. At a renewal of a policy, a consumer is asked to confirm whether the information provided is correct. As when he bought the policy, Mr F had to take reasonable care when confirming this. But as far as he was aware, the information was correct – it showed his dog to be a Boxer. He had no reason to think it was recorded incorrectly as a Boxer crossbreed on Wakam's system.

Every year, Mr F was given policy documents that showed his dog was a Boxer. He wasn't doing anything wrong if he confirmed that information was correct.

I appreciate Mr F benefited from a slightly lower premium price in previous years. But even taking that into account, I don't think it would be fair for Wakam to put current claims on hold; it was Wakam's error that allowed this situation to continue. It had ample opportunities to correct the error and inform Mr F.

Mr F renewed the policy on the basis of the premium quoted. That's what was agreed between him and Wakam and if he didn't make an error when renewing the policy there's no reason for the premium to change. Wakam may correct the premium for future renewals but it would not be fair to do that for the current year. Nor is it fair to refuse to pay claims in the meantime.

My final decision

I uphold the complaint and direct Wakam to

- maintain the premium for the current year with no increase
- settle the outstanding claims, and any further claims made up to the next renewal, in line with the policy terms and conditions
- pay interest on the settlement of any outstanding claims from one month after the date of each such claim to the date of payment at 8% a year simple.

If Wakam considers that it's required by HM Revenue & Customs to deduct income tax from that interest, it should tell Mr F how much it's taken off. It should also give Mr F a tax deduction certificate if he asks for one, so he can reclaim the tax from HM Revenue & Customs if appropriate.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr F to accept or reject my decision before 5 July 2024.

Peter Whiteley
Ombudsman