

The complaint

Mr M has complained about his commercial motor insurer Wakam UK Limited because when he tried to change the vehicle registered on his cover, it said it couldn't cover it, that his policy would have to be cancelled and he wouldn't get a refund for the remaining period of the policy cover.

What happened

Mr M had a scooter which he used for work, which was covered by a policy provided by Wakam. He changed his scooter and called his broker to change the vehicle covered on the policy. He was told Wakam wouldn't cover the new scooter – so the policy would have to be cancelled. He was told, in line with the policy's terms and conditions, because this was month 10 of the policy year, no premium refund would be given.

Unhappy, Mr M complained. Wakam didn't change its mind. Mr M made a complaint to the Financial Ombudsman Service.

Our Investigator noted Wakam had not sold the policy, and she felt it was just relying on clear policy terms. She didn't think it had done anything wrong, so did not uphold the complaint.

Mr M remained unhappy. He felt the policy term was unfair for a number of reasons and certainly unfairly applied in the circumstances of his complaint.

The complaint was referred to me for an Ombudsman's decision. Having considered it, I felt Wakam had acted unfairly, in this situation, to apply the short-term rates to the cancellation. So I thought it should provide a pro-rate refund to Mr M. But I wasn't persuaded that was because the term was generally unfair, as suggested by Mr M, nor on account of the regulations he'd put forward as potentially supporting his position. I issued a provisional decision to explain my reasons for upholding the complaint.

Wakam did not respond to my provisional decision. Mr M said he accepted my findings.

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 said provisionally:

"It isn't necessarily unusual for a commercial insurance policy to be based on rates like the ones Mr M has seen here – "short term rates". They are charged by some insurers where they see a greater risk in the early months of the policy as opposed to the risk being spread more evenly across the whole year of cover. When risk isn't spread evenly, an insurer will reflect that by not offering pro-rata premium refunds when policies are cancelled ie allowing the policyholder to just 'pay' for the time it has provided them cover.

If Wakam wanted to satisfy this Service it was fair for it to apply a short-term rate to Mr M's policy, we would generally expect it to show us evidence that doing so fairly reflected the risk it was seeing for cover. Wakam hasn't done that here. But even should it be able to do that, I'm not persuaded its reliance on its policy terms, in this instance, is fair.

Wakam's policy sets out that the policyholder may choose to cancel at anytime – and it sets out the short-term rates which it will apply in that event. But Mr M did not want to cancel his policy here. In fact he called to merely change the vehicle on cover. Mr M, when changing his vehicle, had no reason to think the new scooter would not be covered by Wakam and it wasn't an unreasonable thing for him to think he would just be able to notify Wakam of the change of vehicle. Mr M wanted to continue with his cover. It was Wakam that said this wasn't possible and the only option available was to cancel the policy.

Wakam's policy does also set out details about Wakam's right to cancel the policy. None of those details draw the policyholder back to the application of short-term rates. In any event, Mr M simply had no choice here but to allow the policy to be cancelled – he had a new scooter, and one which Wakam could not provide cover for. So Mr M wasn't left any room to make an informed choice about cover ie cancel and face not receiving a pro-rata refund or carry on with cover for a couple months more to make use of what had already been paid for.

In the circumstances here, I simply don't think it's fair for Wakam to apply its policy terms. I'm minded to require Wakam to calculate a pro-rated refund ie calculate the daily rate of cover spread over the year and refund Mr M for the days post the cancellation date of the policy. That sum should then be reimbursed to Mr M. To that reimbursement sum, it should apply interest from seven days after the cancellation date until settlement is made.*

I appreciate that this was frustrating and disappointing for Mr M. But, in my view, it doesn't rise to the level of upset where I'd think it was fair and reasonable to require Wakam to pay compensation."

I note Mr M's acceptance and that Wakam has not provided any reply. As such I've no need to review or revise my provisional findings copied above. Rather I'll just confirm they are now the findings of this, my final decision.

My final decision

I uphold this complaint. I require Wakam UK Limited to calculate the daily cost of cover so a pro-rated refund for the days post-cancellation can be provided. To the pro-rated sum, interest* should be applied from seven days post the cancellation date until settlement is made to Mr M.

*Interest is at a rate of 8% simple per year and paid on the amounts specified and from/to the dates stated. HM Revenue & Customs may require Wakam UK Limited to take off tax from this interest. If asked, it must give Mr M a certificate showing how much tax it's taken off.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 28 October 2025.

Fiona Robinson
Ombudsman