

The complaint

Mrs S has complained about Wakam UK Ltd (Wakam) deducting the remaining premium from the settlement amount after she made a claim on her motor insurance policy.

What happened

Mrs S made a claim under her motor insurance policy, and her car was deemed a total loss. But when Mrs S contacted Wakam through the online chat she was reassured on two occasions that she could cancel the policy and didn't need to pay anything more.

When Mrs S received the settlement, Wakam had deducted the remaining premium from it. Mrs S complained as she said she had received far less than she expected.

Wakam acknowledged and apologised that its agents had made a mistake. It explained that the remaining premium would always be due once a claim was made under it. Wakam apologised for its mistake and offered £350 compensation for the loss of expectation it had caused.

Mrs S remained unhappy, so she complained to this Service.

Our investigator considered Mrs S's complaint, they didn't think it should be upheld. They said under the policy terms once a total loss claim was made the full premium would be due. They agreed Wakam's agents had provided incorrect advice but didn't think it would be fair to hold Wakam to the incorrect information. They thought an apology and the offer of £350 compensation was sufficient to put things right.

As Mrs S didn't agree the matter has been passed to me for a final 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.

Having done so I don't uphold this complaint. I will explain why.

Wakam has accepted it made a mistake when it told Mrs S she could cancel her policy at the time the claim was still ongoing without paying the outstanding premium.

My role is to decide what I consider to be fair and reasonable in all the circumstances.

Our approach when a business makes a mistake is to put the consumer in the position they would have been in, but for the mistake. In this case, if Wakam hadn't made a mistake Mrs S would have known earlier that she needed to pay the outstanding premiums. I don't think it's fair and reasonable for me now to put Mrs S in a more favourable position than the one she'd have been in, by saying Wakam should refund the premiums its deducted.

The policy terms state when a claim is made under the policy, the full annual premium for that policy year becomes payable. I am satisfied under the policy terms it is fair and reasonable for Wakam to deduct the remaining policy premium from the settlement it paid. I know Mrs S doesn't feel this is fair, but this is generally how all motor insurance policies work.

Where an insurer has made a mistake, this Service would expect an insurer to consider the loss of expectation a consumer has suffered and whether any compensation should be paid to recognise this. I've thought carefully about this. I've considered what happened, and I think the overall level of distress and inconvenience Mrs S experienced was considerable. Wakam acknowledged the mistake, apologised and offered £350 compensation. I'm satisfied that's reasonable and in line with our guidance and similar to awards we've made in similar situations where the impact of a business's mistake has caused considerable distress, upset and worry. I consider that is fair. So, I require Wakam to pay £350 compensation it offered for distress and inconvenience to Mrs S, if it hasn't already done so.

Wakam has confirmed the claim was paid under Mrs S's policy. It's pursuing the third party's insurer for its outlay, if/when it recovers the outlay, it has said it will refund Mrs S her policy excess either in full or pro-rata depending on recovery and correct her No Claims Discount.

Given the above, I know this will come as a disappointment to Mrs S, I don't think Wakam acted unfairly in deducting the policy premium because a claim was made under the policy.

My final decision

Wakam UK Ltd has already made an offer to pay Mrs S £350 compensation. I find this offer to be fair. So, I require Wakam UK Ltd to pay £350 compensation to Mrs S for the distress and inconvenience it caused, if it hasn't already done so.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs S to accept or reject my decision before 30 April 2026.

Lorraine Ball
Ombudsman