

The complaint

Complaint

Mr and Mrs M have complained that Wakam won't provide a partial refund for the period they were dually insured. Mr and Mrs M held a home insurance policy with Wakam,.

What happened

Mr and Mrs M discovered that after buying a home insurance policy with Wakam, it continued paying for a home insurance policy with another insurer.

Mr and Mrs M asked Wakam to provide a refund of 50% of the premium it paid - and it has asked the other insurer to do the same.

Wakam didn't agree. So Mr and Mrs M asked us to look at their complaint.

Our Investigator recommended the complaint should be upheld and Wakam should provide a refund of 50% of the premium for the period they were dually insured. And she thought Wakam should pay Mr and Mrs M £100 compensation for the distress and inconvenience caused by its decision.

Wakam didn't agree. In summary it says just because other insurers agree to this, it doesn't mean it should. If it had received a claim, it would have paid it in full as it wouldn't have been aware of the dual insurance. As a business, there are costs associated with setting up and running a policy so it's unfair to expect it to provide a refund due to the customer's error.

So the case has been passed to me to decide.

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.

Our approach to dual insurance has been clearly set out by the Investigator and so I don't; intend to repeat it 'word for word' in my decision. There is a distinction between 'indemnity' policies and 'benefit' policies. With indemnity policies where something has been lost or damaged, and needs replacing or repairing, the insurer will pay out an amount for the loss and damages the consumer has suffered in order to put them back in the position they were in prior to the event. And it usually can only be put right once by the insurer. With benefit policies, if something goes wrong – i.e. the consumer loses a limb - they'll pay out a fixed amount (or 'benefit') to the consumer. Generally, a policyholder can have multiple benefit policies as they can benefit from them more than once.

It's understandable that policyholders won't want to pay for two policies when they can only be indemnified once. And in general, our position is that it's reasonable for them to be put in a position where they've paid one premium to be covered once.

If there was no mis-sale or other business mistake, and it was purely a case of 'accidental' dual insurance due to a mistake by the policyholder, we'd expect normal industry practice to be followed: that's for both businesses to refund 50% of their respective premiums. Then the policyholder is put back in a reasonable position – having effectively paid one premium to be covered once. This is because, in the event of a claim, both insurers would have 50% liability for it – so it follows they should receive 50% of the premium to match the risk they're taking.

Although neither business has made a mistake in this situation, it's not fair for them to keep more than 50% of the premium when they're not liable for more than 50% of the risk.

So in line with our approach as to what is fair and reasonable, I'm upholding this complaint in line with the Investigator's recommendations.

As Wakam didn't make a mistake in causing the dual insurance, we wouldn't expect it to pay compensation for this. But where an insurer refuses to offer a refund when dual insurance has been discovered, this decision has caused Mr and Mrs M distress and inconvenience. So I think Wakam should pay them £100 compensation.

My final decision

My final decision is that I uphold this complaint. I require Wakam to do the following:

- Arrange for a refund of 50% of the premium Mr and Mrs M paid for the duration they were dually insured.
- Pay Mr and Mrs M £100 compensation for the distress and inconvenience its decision to refuse a refund has caused.

Wakam must pay the compensation within 28 days of the date on which we tell it Mr and Mrs M accept my final decision. If it pays later than this it must also pay interest on the compensation from the date of my final decision to the date of payment at a simple rate of 8% a year.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr and Mrs M to accept or reject my decision before 18 May 2023.

Geraldine Newbold
Ombudsman