

The complaint

Mr D complains that Watford Insurance Company Europe Limited (“Watford”) mishandled his motor insurance policy.

Where I refer to Watford, I include claims-handlers and others insofar as I hold Watford responsible for their acts or omissions.

What happened

For the year from January 2021, Mr D took out motor insurance through an insurance broker. He said that his occupation was as a kitchen worker. Watford was the insurance company responsible for dealing with any claim.

Unfortunately, in early July 2021, Mr D’s vehicle was involved in an accident. He made a claim to Watford. Watford said that Mr D hadn’t told it he’d changed his occupation to a delivery courier. So it declined his claim and it cancelled the policy.

Mr D complained to Watford that it was treating him unfairly. By a final response dated early December 2021, Watford turned down his complaint. Mr D brought his complaint to us in mid-December 2021.

our investigator’s opinion

Our investigator recommended that the complaint should be upheld. He didn’t think that Watford had acted fairly. He recommended that Watford should:

1. deal with any claim relating to the accident notified; and
2. reinstate cover and remove record of any cancellation; and
3. compensate Mr D £250.00 for the distress and inconvenience caused.

The investigator said that the compensation he’d recommended had taken into account that cancellation was likely to impact any new policy Mr D may have attempted to take out.

my provisional decision

After considering all the evidence, I issued a provisional decision on this complaint to Mr D and to Watford on 4 February 2022. I summarise my findings:

I wasn’t persuaded that Mr D’s circumstances had changed so that there was a fundamental change to the risk. And – notwithstanding the policy wording and the underwriting criteria – I found it unfair for Watford to decline Mr D’s claim for the reason it gave.

We expect an insurer to apply its policy terms fairly and to give a 7-day notice of its intention to cancel the policy and to write a further letter confirming that cancellation

has taken effect. Even if he had become a courier, I hadn't seen any such 7-day notice or letter from Watford to Mr D. So I wasn't satisfied that Watford treated Mr D fairly in relation to the cancellation.

Mr D hadn't given us enough detail about the damage to his car or when he had to stop driving it. But I found it likely that – by declining his claim and cancelling his policy in ways I'd found unfair – Watford caused Mr D extra distress and inconvenience at an already difficult time for him.

Subject to any further information from Mr D or from Watford, my provisional decision was to uphold this complaint. I intended to direct Watford Insurance Company Europe Limited to:

1. meet Mr D's claim relating to the accident in July 2021 in line with the policy terms other than those relating to a change of occupation; and
2. add simple interest at a yearly rate of 8% on any payment to Mr D in settlement of his claim. If Watford considers that it's required by HM Revenue & Customs to take off income tax from that interest, it should tell Mr D how much it's taken off. It should also give him a certificate showing this if he asks for one, so he can reclaim the tax from HM Revenue & Customs if appropriate; and
3. write a letter to Mr D (which he may show to current or future insurers) saying that Watford cancelled his policy unfairly and that Watford has removed any record of the cancellation from any external databases to which it has provided information about the cancellation; and
4. pay Mr D £150.00 for distress and inconvenience.

Mr D accepted the provisional decision and didn't add any further information.

Watford disagreed with the provisional decision. It says, in summary, that:

- Based upon very detailed analysis of data, the underwriter has determined that courier is an unacceptable occupation and an unacceptable risk. If Mr D had correctly declared his change of occupation as required, the policy would have been cancelled. It is not for the Financial Ombudsman Service to set the underwriting criteria.
- Watford has attached the letter sent to the policyholder informing him of the cancellation.

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 Financial Ombudsman Service deals with a consumer's complaint against an insurance company or other regulated financial firm. In our final decision, we name that insurer or firm but we don't identify any other individual or company.

I've taken into account the law including Consumer Insurance (Disclosure and Representations) Act 2012 ("CIDRA"). I've also taken into account the policy terms, regulation and good practice. Above all I have to decide what's fair and reasonable.

CIDRA imposes a duty on a consumer to take reasonable care not to make a misrepresentation to an insurer on the purchase of a policy or on a variation.

From its underwriting criteria, I accept that Watford would've declined to insure anyone who was a courier.

From the policy proposal, I see that Mr D had only had his driving licence since the summer of 2020. The policy schedule said he didn't have any no-claims discount ("NCD"). The excess on any damage claim was £605.00 (including £150.00 as an inexperienced driver). From the policy schedule, I see that Mr D estimated the value of his vehicle as £660.00.

From the certificate of insurance, I note that cover was for social, domestic and pleasure ("SDP") use. The premium for the year was about £1,100.00.

Watford's policy terms included the following:

"Section 17

...

***Our Cancellation Rights
During the Period of Insurance***

We have the right to cancel Your Policy at any time by giving You seven days' notice in writing where there is an exceptional or valid reason for doing so. We will send Our cancellation letter to the latest address We have for You and will set out the reason for cancellation in Our letter. Exceptional or valid reasons may include but are not limited to:

...

Alternatively, We have the right to cancel Your Policy immediately, at any time during the Period of Insurance, where there is evidence of fraud or a valid reason for doing so. We will still send Our cancellation letter to the latest postal or email address We have for You and will set out the reason for cancellation in Our letter. Valid reasons allowing Us to immediately cancel may include but are not limited to:

..."

So the policy terms allowed Watford to cancel either by seven days' notice or immediately if, in either case there was a valid reason, of which it listed examples. But the policy terms provided that Watford would send a letter setting out the reason for cancellation.

Watford's policy terms also included the following:

"Section 18

Changes which may affect Your cover

The Terms of Your Policy and premium are based on the information You have given us. If any of this information changes You must notify Us by calling Your broker. Below are some examples of what You should tell us. Please note these lists are not exhaustive and You should contact Your Broker if You are unsure about whether You need to inform Us of a change. Any changes to Your Policy will be subject to Our agreement and may not be acceptable, therefore please contact Your Broker for guidance on changes You wish to make. If a change to Your Policy is acceptable it may result in revised Terms and/or a change in the premium. Any changes to Your Policy may also be subject to administration fee charged by Your Broker. We reserve the right to request further documentation following a change made to Your Policy, such as proof ownership and/or confirmation of the registered keeper.

You must tell Us immediately if:

- You change Your address or the address where Your Car is normally kept;*

- You or anyone covered by this Policy ceasing or changing jobs, or starting a new job, including any part-time work; or
- Your or any insured driver's driving licence is revoked either temporarily or permanently, or the status of the driving licence has changed, e.g. if You or any insured driver has passed their driving test.

You must tell Us about the following beforehand:

- If You intend to change Your Car or its registration number.
- If You intend to change what You use Your vehicle for.
- If You want to include other drivers or intend to change the main driver.
- If You intend to modify Your Car from the manufacturer's standard specification.

...

You must tell Us about the following when You renew Your Policy:

If there have been any changes to the insurance details of You or any other person named as a driver under this Policy. Such changes to insurance details include, but are not limited to:

- Any information listed on Section 18, that should be advised immediately or beforehand.
- Any accidents, claims, losses or damages to any vehicle, whether or not a claim was made and regardless of blame. This includes all types of claims, damages or accidents such as Fire, Theft or glass damage (windscreen or window).

...

Failure to notify any required changes and to take reasonable care to ensure that any information supplied is provided honestly, fully and correctly may result in Your Policy being cancelled or treated as if it never existed, or in Your claim being rejected or not fully paid."

So the policy terms said that Mr D had to tell Watford immediately if he changed his job - and failure to do so might result in the cancellation of the policy or the rejection of a claim.

But I wouldn't find it fair and reasonable for Watford to rely on such a term as a reason to decline a claim – unless there had been a fundamental change in the risk.

In early July 2021, M D rang to report the accident and to make a claim.

By December 2021 Watford's final response included the following:

"[1] You advised the claim handlers that you were a self-trader in gardens and car boot sales and that you were self-employed on the first notification of loss call. The claim handlers asked you to confirm when your occupation had changed and you advised them that this was due to the covid-19 pandemic but did not specify a date. [2] However, you later advised that your occupation was now a Bicycle Food Delivery - Full time for [named food delivery service] and that you lost your job at the restaurant [named restaurant] due to Covid at the end of March 2021."

I've added the numbering for ease of reference.

From the call recoding, I accept Watford's statement that I've numbered "1".

But - in relation to its statement that I've numbered "2" - Watford hasn't provided enough dates, details, call recordings or notes. So it's not at all clear that Mr D had changed his occupation to a courier before the accident.

I also keep in mind that the policy covered driving for SDP use and not for deliveries. And Watford recorded that Mr D was doing deliveries on a bicycle.

So I'm not persuaded that Mr D's circumstances had changed so that there was a fundamental change to the risk. And – notwithstanding the policy wording and the underwriting criteria – I find it unfair for Watford to decline Mr D's claim for the reason it gave.

To try to put that right, I find it fair and reasonable to direct Watford to meet his claim in line with the policy terms other than those relating to a change of occupation. As he may have been out of pocket since the accident, I will direct Watford to add interest at our usual rate to any payment to Mr D in settlement of his claim.

Cancellation of a motor policy can adversely affect a driver for some years. So we expect an insurer to apply its policy terms fairly and to give a 7-day notice of its intention to cancel the policy and to write a further letter confirming that cancellation has taken effect.

In response to the provisional decision, Watford sent us a copy of a 7-day notice dated late September 2021. But that letter didn't state any reason for the cancellation. So - even if Mr D had become a courier - I don't think the notice was in line with the policy terms. And Watford hasn't shown us any separate letter confirming the cancellation to Mr D after it had taken effect. So I'm not satisfied that Watford treated Mr D fairly in relation to the cancellation.

To try to put that right, I find it fair to direct Watford to write a letter to Mr D (which he may show to current or future insurers) saying that Watford cancelled his policy unfairly and that Watford has removed any record of the cancellation from any external databases to which it has provided information about the cancellation. As he may show that letter to current and future insurers, it should mitigate the effects of the cancellation on the availability and cost of his motor insurance.

As the policy would've expired in January 2022, I don't find it fair and reasonable to direct Watford to reinstate the policy.

Mr D hasn't given us enough detail about the damage to his car or when he had to stop driving it. But I find it likely that – by declining his claim and cancelling his policy in ways I've found unfair – Watford caused Mr D extra distress and inconvenience at an already difficult time for him.

Watford's final response to Mr D opened with a statement that the policy had been cancelled because he'd made a misrepresentation. I find it likely that this made Mr D feel he'd been accused of giving incorrect information. And Watford has maintained its position despite the investigator's opinion and the provisional decision.

Overall I consider that £150.00 is fair and reasonable compensation for the distress and inconvenience Watford has caused Mr D by its unfair treatment.

Putting things right

I find it fair and reasonable to direct Watford to meet his claim in line with the policy terms other than those relating to a change of occupation. As he may have been out of pocket since the accident, I will direct Watford to add interest at our usual rate to any payment to Mr D in settlement of his claim.

I find it fair to direct Watford to write a letter to Mr D (which he may show to current or future insurers) saying that Watford cancelled his policy unfairly and that Watford has removed any record of the cancellation from any external databases to which it has provided information about the cancellation. As he may show that letter to current and future insurers, it should mitigate the effects of the cancellation on the availability and cost of his motor insurance.

I consider that £150.00 is fair and reasonable compensation for the distress and inconvenience Watford has caused Mr D by its unfair treatment.

My final decision

For the reasons I've explained, my provisional decision is that I uphold this complaint. I direct Watford Insurance Company Europe Limited to:

1. meet Mr D's claim relating to the accident in July 2021 in line with the policy terms other than those relating to a change of occupation; and
2. add simple interest at a yearly rate of 8% on any payment to Mr D in settlement of his claim. If Watford considers that it's required by HM Revenue & Customs to take off income tax from that interest, it should tell Mr D how much it's taken off. It should also give him a certificate showing this if he asks for one, so he can reclaim the tax from HM Revenue & Customs if appropriate; and
3. write a letter to Mr D (which he may show to current or future insurers) saying that Watford cancelled his policy unfairly and that Watford has removed any record of the cancellation from any external databases to which it has provided information about the cancellation; and
4. pay Mr D £150.00 for distress and inconvenience.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr D to accept or reject my decision before 9 March 2022.

Christopher Gilbert
Ombudsman