

The complaint

Mr A has complained about Watford Insurance Company Europe Limited. He isn't happy about the way it cancelled his car insurance policy.

For ease of reading I have just referred to Mr A in this decision even though his complaint has been advanced by his representative.

What happened

I looked at this case and provided my initial thoughts in my provisional decision as follows; Mr A took out his car insurance policy with Watford Insurance, but he didn't realise that he had taken the policy out through an unauthorised broker ('ghost broker'). When Watford Insurance undertook some checks, it had concerns about the policy and the 'ghost broker' so it cancelled Mr A's policy with immediate effect and placed a cancellation marker against his name.

As Mr A wasn't happy about this he complained to Watford Insurance. It accepted that Mr A was an innocent party here, so it changed the fraud marker that was placed on the insurance database to say Mr A was a victim of fraud but maintained it was necessary to keep the cancellation marker. However, the cancellation marker was having an affect on Mr A in that his premiums were significantly higher because of the marker so he complained to this Service.

Our investigator looked into things for Mr A but didn't uphold his complaint. Although he sympathised with the position Mr A had found himself, as he'd clearly been an innocent victim here, he didn't think Watford Insurance had done anything wrong. He felt the fault was with the 'ghost broker' and Watford Insurance had acted fairly in cancelling the policy given the concerns it had and adding the cancellation marker and outlining that Mr A was a victim of fraud.

But Mr A remained unhappy, as the cancellation marker was having an impact on him getting insurance elsewhere as the premium was significantly more, so the matter has been referred to me for a final decision.

What I've provisionally 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've formed a different position to our investigator, and I'm provisionally minded to uphold this complaint. Although I can understand Watford Insurance's position and I accept that it has acted reasonably in cancelling the policy, but I believe leaving the cancellation marker in place creates an unfair outcome in the particular circumstances of this case. I'll explain why.

It is accepted by all that Mr A has been the victim of a 'ghost broker' here. I understand English isn't his first language and that he visited the offices of the 'ghost broker' with family members on a number of occasions to check everything was recorded correctly - the follow

up documentation and texts that were sent to him by the 'ghost broker' supported this position. And he has taken a number of steps to report the unregulated broker now and has had his premium returned by the broker, which all evidences his innocence here.

However, I agree that Watford Insurance acted reasonably in looking to cancel Mr A's policy once it was aware of discrepancies that were linked to the 'ghost broker'. But I think the fairest thing to do, in circumstances like this, was to have given Mr A the opportunity to cancel the policy himself so there wasn't any adverse effect on him going forward.

I know Watford Insurance took some steps in this regard, in that it ensured the fraud marker made it clear that Mr A was a victim here. So, its intention was to try and limit the adverse effect on Mr A. But Mr A is still left with a cancellation marker against his name which has impacted his ability to get insurance elsewhere at a competitive price. Given this, and the clear impact a cancellation marker would have I think the fair and reasonable thing to do, in the particular circumstances of this case, was for Watford Insurance to have given Mr B the opportunity to cancel the policy himself, rather than cancel it and have the cancellation marker impact his future premiums.

So, I think Watford should change how the cancellation has been recorded now. And provide Mr A with a letter explaining the policy was cancelled in error on its part which will allow Mr A to show any future insurers that he hasn't had a policy cancelled if necessary.

Finally, I can see this has caused Mr A a fair degree of stress and inconvenience as he hasn't been able to get insurance elsewhere amongst other things. I know Watford Insurance acted fairly in cancelling the policy but had it have given Mr A the opportunity to cancel the policy himself he wouldn't have faced these ongoing difficulties. So, I think it should pay Mr A £500 in compensation for the stress, inconvenience, and inability to gain insurance elsewhere at a competitive price.

Replies

Both sides responded. Mr A was grateful for the provisional decision and said he was happy to accept it.

While Watford was also thankful for the decision but disagreed. It said that Mr A had bought the policy through a 'ghost broker' and that he shouldn't be given the opportunity to cancel the policy himself and avoid a record being made on the database. And Watford said again that it did try and mitigate the issue by changing the tag on the insurance database from fraud to victim and said that there was a further anomaly that prevented it from putting Mr A back on cover.

So, while Watford appreciated that the policy holder had been the victim of the 'ghost broker', it felt that it had acted fairly and shouldn't be compensating Mr A.

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 remain of the view that the complaint should be upheld. I know this will come as a disappointment to Watford, but I'll explain why.

I can understand Watford's position. However, the way it cancelled Mr A's policy has created an unduly harsh outcome in the particular circumstances of this case. I accept it took some

steps to try and mitigate the position by ensuring the fraud marker showed Mr A was a victim here, but I don't think that goes far enough.

Watford should have allowed Mr A the opportunity to cancel the policy himself in the first instance. And so I remain of the view that, given the clear impact a cancellation marker would have I think the fair and reasonable thing to do, in the particular circumstances of this case, is for Watford Insurance to remove any cancellation markers against Mr A's name so as not to negatively impact his future premiums. And provide Mr A with a letter explaining the policy was cancelled in error on its part.

Plus, I maintain this has caused Mr A a fair degree of stress and inconvenience as he hasn't been able to get insurance elsewhere amongst other things. I know Watford Insurance acted fairly in looking to cancel the policy, but it should have given Mr A the opportunity to cancel the policy himself as he was a victim here. So, I think it should pay Mr A £500 in compensation for the stress, inconvenience, and inability to gain insurance elsewhere at a competitive price.

My final decision

It follows, for the reasons given above, that I uphold this complaint. I require Watford Insurance Company Europe Limited to remove any record of the cancellation marker from any internal or external databases and provide Mr A with a letter of explanation. And pay Mr A £500 compensation.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 31 January 2023.

Colin Keegan
Ombudsman