

The complaint

Mr and Mrs B complain Watford Insurance Company Europe Limited cancelled their home insurance policy unreasonably.

Watford's been represented by agents'. For simplicity I've generally referred to the agents actions as being Watford's own.

What happened

In January 2023 Mr and Mrs B entered into a new contract of home insurance with Watford. Not long after the insurer cancelled the policy. It said Mr and Mrs B had failed to show repairs required for an earlier subsidence claim had been completed.

Mr and Mrs B complain the cancellation is unfair, as whilst a claim was made, it turned out there was no subsidence and only superficial cosmetic works were required. Watford responded to a complaint but didn't change its position on the cancellation. So Mr and Mrs B came to this service. They are concerned at the impact of a cancellation record on their future insurance provision.

In July 2023 our Investigator considered the complaint. He appreciated Watford wished to know if Mr and Mrs B's property was in a good state of repair, but ultimately felt the cancellation to be unfair. He said Watford's own loss adjuster had found only minor maintenance work was required. So he felt it was unreasonable for it to require an engineer's report and certificate of completeness.

To put things right the Investigator recommended Watford remove any internal or external records of the cancellation. He said it should pay Mr and Mrs B the difference between what they paid for their Watford policy and the new insurance they found after the cancellation - £1,011.55 plus simple interest at 8%. He also said it should Mr and Mrs B £350 compensation to recognise the unnecessary distress and inconvenience it had caused them.

Mr and Mrs B accepted that outcome. Watford didn't, so the complaint was passed to me to decide. In August 2023 I explained to Mr and Mrs B and Watford that I agreed with the outcome reached by our Investigator. I asked both sides to agree to settle the dispute quickly without the need for a formal final decision by following his recommendations.

Watford agreed to the Investigator's recommendation. Mr and Mrs B did, but asked for a letter from Watford explaining the policy had been cancelled incorrectly. I asked Watford to agree to provide one, explaining I felt Mr and Mrs B's request was reasonable. So far it's failed to provide a definitive response. As this complaint has run for some time now, I feel it's in the interests of all involved to bring it to a conclusion rather than allow Watford more time. So I've issued this final decision setting out what I require it to do to put things right for Mr and Mrs B.

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.

A broker had a discussion with Watford (or an agent acting on its behalf), pre-inception, to discuss the subsidence claim – with Watford agreeing to take on the risk (including the declined subsidence claim). So Watford (or its agent) accepted the contract of insurance with knowledge that Mr and Mrs B had made an unsuccessful (as there was no subsidence) subsidence claim in August 2022. The claim was declared on the policy documentation.

It's unreasonable (and unlikely to be in line with the relevant misrepresentation legislation - CIDRA) for the cover to then be cancelled due to that subsidence claim.

In addition Mr and Mrs B responded to Watford's request (via the broker) for information about the subsidence claim. It was made clear that there was no subsidence. That was explained in a report Mr and Mrs B provided. It concludes the issue was a general maintenance one caused by thermal movement. A very minor cosmetic crack required repair.

Unfortunately Watford seems to have mistakenly believed there was an issue with a neighbour's tree and an engineer's recommendation for works. That doesn't seem to be case. This misunderstanding was corrected by Mr and Mrs B weeks before the cancellation.

Finally it seems the 'subsidence' claim was made against a Watford policy.

So to summarise - Watford agreed to offer cover to Mr and Mrs B with full knowledge of the subsidence claim. It had itself investigated that claim and found no subsidence – only a need for minor cosmetic repairs. Mr and Mrs B had reminded Watford of this. Yet it still cancelled the policy as for a failure to who the recommended subsidence repairs had been completed. That's an unfair and unreasonable action to take – regardless of Watford's own internal procedures.

I agree the Investigator's recommendations provide a fair way to resolve the complaint. As Watford and Mr and Mrs B agreed to them, I haven't discussed them any further. But as I've explained their request for a letter explaining the cancellation is also, in my view, reasonable. They will be able to show it to future insurers should there be any queries about the cancellation. So Watford will also need to provide a letter to Mr and Mrs B giving the policy details and explaining it cancelled that cover incorrectly.

My final decision

For the reasons given above, I require Watford Insurance Company Europe Limited to:

- remove any internal or external records of it having cancelled the policy - if necessary recording the policy as cancelled by Mr and Mrs B,
- provide Mr and Mrs B with a letter explaining it cancelled the policy incorrectly,
- pay them £1,011.55 – plus simple interest at 8%* from the date they paid for their new insurance until the date of settlement and
- pay them £350 compensation.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs B and Mr B to accept or reject my decision before 17 October 2023.

*If Watford considers it's required by HM Revenue & Customs to deduct income tax from that interest it should tell Mr and Mrs B how much it's taken off. It should also give them a tax deduction certificate if they ask for one, so they can reclaim the tax from HM Revenue & Customs if appropriate.

Daniel Martin
Ombudsman