

The complaint

Mr K has complained about Watford Insurance Company Europe Limited's decision to cancel his car insurance policy.

Watford is the main insurer and underwriter of the policy.

What happened

In June 2023 Mr K bought a car insurance policy through a broker and paid the full year's premium. The insurer of the policy was Watford. Mr K said he was the registered owner, registered keeper and main and only driver of the car.

A week later the police contacted the broker to say the car had been seized on 26 May 2023 due to Mr K's brother driving it without insurance. The police explained that Mr K was there with vehicle registration documents and policy documents to evidence insurance in order to collect the car from impound.

The police asked the broker if they were satisfied for the vehicle to be released to Mr K, given it was his brother who was driving – and due to the date the policy cover started.

The broker confirmed it was ok to release the vehicle to Mr K. But also said the matter would be referred to the underwriter (Watford) for additional checks.

On referral to Watford, it cancelled the policy with immediate effect. It said the policy entitled it to do this if it discovers the car has been impounded by a public authority.

Mr K was unhappy with the decision. He complained to Watford. He told Watford when he took out the policy he didn't know the car had been seized. He said he found out his brother had been driving his car.

Watford didn't uphold Mr K's complaint. So Mr K asked us to look at his complaint.

Our Investigator said Watford was entitled to cancel the policy for the reason it gave. But she didn't think it was reasonable for Watford to have done so without warning - because the broker didn't warn Mr K during the call at the police station that the policy would be cancelled and allowed it to be released to Mr K. The Investigator found that the broker was acting on behalf of Watford.

So she recommended Watford provide Mr K with a letter confirming he doesn't have to record a cancellation by an insurer when looking to buy future insurance.

Watford didn't agree. In summary it says the broker acted for Mr K. While the broker has some delegated authority to administer some cancellation tasks, as the underwriter, Watford acted correctly. It said its reason for cancelling the policy was correct. And so whether it gave notice or not, doesn't change the outcome that Watford correctly cancelled the policy.

I issued a provisional decision on 23 August 2024. I didn't think Watford Insurance needed to do anything differently. So I didn't intend to uphold the complaint.

Watford accepted my provisional decision. Mr K didn't reply. So the case has been passed back 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.

As I haven't received any new information, my final decision is on the same lines as my provisional decision.

On 26 May 2023 Mr K's brother was stopped by police for driving Mr K's car without insurance. The car was seized.

As Mr K was the registered owner and keeper of the car, the police wrote to him to notify him that the car had been seized.

On 9 June 2023 Mr K bought a policy with Watford. He declared that he was the main driver, the registered owner and keeper. There were no named drivers added to the policy.

On 13 June 2023 Mr K brought his V5 registration and insurance documents to the police station in order to arrange for the car to be released to him.

I've listened to a recording of the call between the police and the broker. The police called the broker to clarify if the insurer was happy for the car to be released to Mr K, given the circumstances. The broker agreed, but said the matter would be referred to the underwriter.

Mr K asked in the same call if his insurance would be affected. The broker said no, but also said it would be referred to the underwriter.

When referred to Watford, on 15 June 2023 it made the decision to immediately cancel the policy. It relied on the following wording set out under the policy:

"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."

Then;

"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:

e) If We discover that Your Car is currently impounded by any government or public authority."

In response to Watford, Mr K said;

"I would like to tell you that my policy was cancelled because my car was seized. Also, I was not the one who was driving the car (make of car inserted here). I found out my brother was the one driving the car. I took out my policy I found out afterwards that the car was seized. I did not know about it. Can you please send me a final response letter please via email."

Watford didn't uphold Mr K's complaint. It said it didn't make sense for Mr K to have purchased insurance for a car in his name when he was the registered owner and keeper of it – but didn't know it had been seized by police. It was clear the car hadn't been in Mr K's custody for at least a couple of weeks if this was the case.

In response, Mr K said he didn't give the car to his brother to borrow, but had gifted the car to his brother to keep. He said he didn't know his brother didn't have insurance while driving it. Mr K said it was his brother's responsibility to insure the car.

Watford reiterated that it didn't make sense for Mr K to purchase insurance in his name if he had gifted the car to his brother, but didn't know the car had been seized. When buying the policy, Mr K said he was the main and only driver, and the registered owner and keeper, which Watford therefore said was false. Watford said if Mr K had told it he wasn't the registered owner and keeper, it wouldn't have offered him an insurance policy. And so it would have been entitled to cancel the policy due to misrepresentation of the owner and keeper.

On 15 March 2024 Mr K told us that he didn't change the vehicle registration to his brother after he gifted it to him. He said he doesn't know why he didn't do this. He told us he bought the insurance with Watford after the police wrote to him (because he was the registered keeper) to tell him the car had been seized.

Mr K told us the car was back with his brother. Mr K said he wanted to buy a car and said having to declare the cancellation by Watford was having a negative impact on the price of the premium.

Mr K's account to Watford – and to us – hasn't been consistent. Even if the broker didn't confirm (in the call while Mr K was looking to get the car released) that the policy would be cancelled, this doesn't mean Watford's subsequent decision was wrong. So I don't think it changes the outcome. I don't think Watford acted unreasonably in following its cancellation procedure in this case. I think it was entitled to cancel the policy from immediate effect. Even if it had given notice, Mr K would still need to declare the cancellation by Watford because Watford correctly cancelled the policy. So I don't think Watford needs to do any more.

My final decision

My final decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr K to accept or reject my decision before 17 October 2024.

Geraldine Newbold
Ombudsman