

## **The complaint**

Mr A complains that Watford Insurance Company Europe Limited (Watford) voided his motor insurance policy and didn't pay his claim.

## **What happened**

The following is intended only as a summary of events. Mr A held a motor insurance policy with Watford. In March 2024 he was involved in an accident, so he contacted Watford to claim for the damage.

Watford accepted the claim and inspected Mr A's car – they said it would be considered a 'total loss' - meaning the repairs would cost more than the car was worth. They said Mr A could accept the pre-accident market value of the car or take the damage car back and they would retain the salvage value. Mr A chose to accept the pre-accident market value and Watford made arrangements to sell the car for salvage.

But after Mr A agreed to be paid for the claim, Watford identified Mr A wasn't the registered keeper of the car. They said Mr A didn't tell them about who the owner of the car was when the policy was taken out. Watford said this was a reckless misrepresentation which entitled them to avoid the policy. And because the policy effectively then didn't exist, they didn't need to deal with the claim. But by that point the car had been sold for salvage. Watford agreed they shouldn't have sold the car – so they paid Mr A the salvage value of the car.

Mr A didn't think this was fair and complained. He didn't think Watford were entitled to sell the car and said by paying him the salvage value of the car, he was financially worse off than if he had chosen to keep the car and complete the repairs himself. Watford didn't change their stance on avoiding Mr A's policy and not dealing with his claim.

Mr A remained unhappy and brought his complaint to this Service. An Investigator looked at what had happened and recommend Mr A's complaint be upheld in part. He was satisfied Mr A made a qualifying misrepresentation and thought Watford's actions were in line with the relevant law, the Consumer Insurance (Disclosure and Representations) Act 2012 (CIDRA).

The Investigator thought Watford had acted fairly by paying Mr A the salvage value of the car, because that's what Mr A would have been entitled to as the claim had been declined and the policy voided. But he did think Watford could have avoided some of the issues experienced and recommended they pay £150 compensation.

Mr A didn't agree with the Investigator – he said Watford shouldn't have sold the car when it didn't belong to them. And he thought they had acted unfairly by selling the car for less than it was worth. He asked for an Ombudsman to consider the complaint – so it's been passed to be 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.

Having done so, I've reached the same overall conclusions as the Investigator. I'll explain why.

I don't intend to repeat the entirety of what's happened here, as the details of this complaint are well known to Mr A and Watford. This isn't intended as a discourtesy, but rather reflects the informal nature of this Service. Instead, I've focused on what I consider the key issues of the complaint to be.

The crux of this complaint is that Watford says Mr A failed to take reasonable care not to make a misrepresentation when he took out the policy. I've looked at what happened and considered Mr A's testimony, and I'm satisfied that's fair, as Mr A was not the registered owner and keeper of the car when the policy was taken out.

Watford has also shown that, if they were told about the ownership of the car, they wouldn't have offered Mr A the policy. This means Watford has shown Mr A's misrepresentation was a qualifying one, and means Watford is entitled to act in line with the remedy's available to them under CIDRA.

Because Watford has shown that they wouldn't have insured Mr A's car if they'd known about the ownership of the car, under CIDRA they're entitled to avoid the policy and not deal with Mr A's claim. But they haven't returned the policy's premiums Mr A paid because they consider the qualifying misrepresentation to be 'reckless' – that is, they consider Mr A did not care whether or not the statement made was untrue or misleading. CIDRA requires Watford to show that a qualifying misrepresentation was reckless. So, I've thought about whether Watford have evidenced this, and I'm satisfied they have.

Mr A, through his representative, has provided a number of submissions over how the policy was set up and how the car was purchased, including its intended use. I don't intend to repeat all of the information here, but Mr A has said he thought his answer to the question around who owned the car wouldn't have made a difference to his insurance premium.

So, I'm satisfied this would be considered a reckless misrepresentation as Mr A did not take reasonable care when answering the question. I'm therefore satisfied that's fair and in line with CIDRA's approach to what a reasonable consumer's obligations are. As Watford have applied the remedy's available to them under CIDRA, I don't think they've acted unfairly in declining the claim or in avoiding the policy.

The second issue to consider is what should have happened once Watford voided the policy. Initially, Mr A was given two choices: a payment of £12,500 and Watford would dispose of the car, or Mr A could keep the car and be paid a reduced sum of £5,233.

Mr A chose to be paid the full value of the car and let Watford dispose of the salvage. Watford arranged for this to happen, but this was around the time the misrepresentation occurred. And while the claim was being refused and the policy voided, the car was sold in any event.

Watford acknowledged they made a mistake and that they should've put the sale of the car on hold whilst they were validating the claim, and they didn't do this. They apologised and offered £150 compensation as well as paying Mr A the value of the salvage they received - £4,250.

The Investigator thought this was a fair outcome – he said as Mr A's policy had been voided, he never would have been paid the market value of the car. And he said the car was valued

at £12,500 in its undamaged state – but because of the accident damage it was sold for salvage. So, Watford would never have received more than the £4,250 they received for the salvage of the car. And this amount was paid to Mr A to account for Watford incorrectly selling the car.

Mr A disagreed – he said if he had the car returned to him, he could have had repairs completed at a cost of around £2,000. But instead, he says he's now suffered a loss as Watford sold a car valued at £12,500 for under £5,000.

I understand Mr A's frustrations, but it may help if I explain this situation in a different way to the Investigator. My role as part of this complaint is to consider what should have happened, but for the mistake Watford made. The car is not worth £12,500, because this is only the value of the car prior to the accident under the insurance policy. I've considered the engineering evidence and I'm satisfied this is the most persuasive evidence of what the car was actually worth - the salvage value in its damaged state.

This means Mr A would never have received £12,500 because there is no policy to make a claim for that sum under. So, had Watford not sold the car when they declined cover, and if the car had been returned to Mr A, he would have had a car worth £4,250. I appreciate he may have wanted to complete repairs at his own cost – but as Watford have given Mr A the cash value of the item they sold by accident, I don't consider Mr A has a loss that needs to be further compensated.

This means I'm not going to ask Watford to make any further payments to Mr A – because I'm satisfied the actions Watford have taken produces a fair and reasonable outcome in this particular complaint.

In respect of the compensation Watford has paid to Mr A, I'm satisfied £150 is a fair reflection for the distress and inconvenience Watford's actions caused Mr A. This means I'm not going to direct Watford to increase this.

### **My final decision**

For the reasons set out above, 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 A to accept or reject my decision before 26 December 2024.

Stephen Howard  
**Ombudsman**