

## The complaint

Miss A complains that Watford Insurance Company Europe Limited (“Watford”) cancelled her car insurance policy due to fraud.

References to Watford include its agents.

## What happened

In September 2023 Miss A took out a car insurance policy underwritten by Watford. The policy was taken out online through an authorised and regulated broker, but Miss A didn't fill out the application herself, someone helped her with this.

In October 2023, the broker wrote to Miss A to inform her the policy was being cancelled. After Miss A complained, Watford said in its final response the terms and conditions of the policy allowed it to cancel the insurance if evidence of fraud was found. Watford said it thought there was fraud here, because the same device used to take out Miss A's policy had taken out multiple other insurance policies across the UK. This led Watford to believe Miss A had used an unauthorised broker – often referred to as a 'ghost broker' – to take out her policy.

Our investigator upheld the complaint. He said Miss A had explained that English wasn't her first language and after passing her driving test she needed help setting up an insurance policy, so she reached out to her local community and was referred to someone who helped her set up the policy. The investigator found this to be a reasonable explanation for how the policy had been set up. He also said Watford hadn't provided evidence to show the information Miss A provided when the policy was set up was inaccurate or fraudulent.

The investigator recommended Watford pay Miss A £200 compensation, remove the cancellation fee it had applied, remove any fraud markers placed in Miss A's name and remove any cancellation markers recorded against Miss A both internally and externally.

Watford didn't agree. It said that it had provided overwhelming evidence showing ghost brokering and that Miss A had admitted going to a third party. It also said the evidence showing multiple policies around the country being set up from the same device were indicative of illegal actions carried out by criminals attempting to obtain services by fraud, rather than the general actions of a member of a community trying to help someone else in their community.

Because Watford didn't agree, the complaint was referred to me to decide. I issued a provisional decision upholding the complaint and I said the following:

*“I accept if evidence of fraud is found Watford are entitled to cancel the policy. That isn't unreasonable, and is consistent with what the terms and conditions of the policy allow Watford to do:*

*“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.”*

*I also accept Watford had a reasonable basis to suspect fraud. Watford has provided evidence showing the same device being used to take out other policies in different parts of the UK. I haven't seen any persuasive explanation why that is the case, so I find it reasonable Watford would suspect ghost brokering – especially since the policies taken out through this device were across the UK and not localised to the same area.*

*It's also not in dispute that Miss A went to a third party to help her set up the policy. I understand the policy itself was applied for online through an authorised and regulated broker, but Watford suspect the person who filled out that online application for Miss A was a ghost broker.*

*But I'm not persuaded Watford has treated Miss A fairly. Watford hasn't evidenced that Miss A knew or should have known she was using a ghost broker, or reasonably ought to have known something was wrong. I think that's important, because Watford have treated Miss A as though she committed fraud, which I don't think would be fair if Miss A was the victim of a ghost broker, unless she had reasonable cause to recognise unreasonable actions were being done on her behalf.*

*I've listened to Miss A's testimony, and I don't find her explanation of what happened to be unreasonable or implausible. English isn't her first language and after recently passing her driving test she needed help getting a car insurance policy set up – so she turned to her local community. I don't find that to be unusual for someone in Miss A's position. Miss A placed her trust in someone she didn't know to help her set up the policy, but I don't think that alone shows Miss A knew or should have known she was using a ghost broker.*

*Due to the language barrier, Miss A also needed help to make her complaint. She said she went to a local community centre for help with this instead of the person who'd previously helped her take out the policy. I think this further supports that when Miss A took the policy out, she simply sought help from her local community due to English not being her first language.*

*Watford also haven't shown that Miss A has been dishonest or careless with the policy application itself. Our investigator asked Watford if any of the details entered when the policy was set up were inaccurate, but Watford said it was unable to establish this.*

*I've reviewed the policy documents Miss A was provided to see if there were any inaccurate details apparent which could have informed Miss A something was wrong when after receiving her policy documents. Details such as Miss A's name, address and date of birth match the personal details Miss A provided to us when she brought her complaint here, so would appear to be correct, and Watford hasn't been able to show anything was wrong with other details that I don't have information to compare against, like those of the car. Because there aren't any apparent, or known, incorrect representations on the policy documents, I think this makes it less likely Miss A ought to have known something was wrong.*

*There also doesn't appear to be anything unusual about the way in which Miss A arranged to pay for the policy. Watford has provided a copy of a letter sent by the regulated and authorised broker showing Miss A had selected to pay monthly for the policy through a finance company. This isn't an unconventional way for a customer to pay for car insurance and the policy being paid for in this way also makes it less likely in my view that Miss A could have been aware something was wrong.*

*I'm not persuaded that Watford has shown that Miss A did anything wrong that could reasonably justify it cancelling the policy for fraud. She needed help from someone to take out an insurance policy - which isn't unreasonable. The policy itself was applied for through a*

*legitimate online seller, and Watford hasn't shown it was provided with any false or inaccurate details.*

*Watford are relying here on data linking the device used to take out the policy with other policies being taken out elsewhere in the country. But I haven't seen anything which shows Miss A was aware of this, or reasonably should have been aware. Nor has Watford shown here why it considers the person acting on Miss A's behalf acted unreasonably. As I haven't seen anything to show Miss A, or anyone acting on her behalf, has acted fraudulently, it follows I find it was unfair for Watford to cancel the policy.*

### **Putting things right**

*For the reasons I've set out above, I think it was unfair for Watford to cancel the policy.*

*To put that right, Watford should remove the record of the cancellation from any internal and external databases and should provide Miss A with a letter explaining that it cancelled her policy in error.*

*Watford should also remove any fraud markers it has recorded on any databases relating to this policy or Miss A.*

*After the policy was cancelled, a £75 cancellation charge was applied. While I understand this is a charge applied by the broker rather than Watford, given that the charge has resulted from Watford unfairly cancelling the policy, Watford should cover the cost of this charge.*

*Lastly, I think Miss A has been caused significant distress and inconvenience from the policy being cancelled for fraud. Although I understand Miss A has now found car insurance elsewhere, it's likely this would have been more challenging than had she been given the option to cancel the policy herself and prior to taking out cover elsewhere Miss A has explained she had to find other ways to commute. I think for the level of impact caused more compensation is warranted than the £200 the investigator recommended, so I'm minded to instruct Watford to pay Miss A an additional £200 – bringing the total compensation paid for this complaint to £400."*

Watford and Miss A didn't reply to my provisional decision.

### **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 neither party has given me anything more to think about, I see no reason to depart from the conclusion I reached in my provisional decision. So I've decided to uphold the complaint for the same reasons I've set out above.

### **Putting things right**

I require Watford to do the following:

- Remove the record of the cancellation from any internal and external databases.
- Provide Miss A a letter saying it cancelled her policy in error.
- Remove any fraud markers recorded on any databases relating to this policy or Miss A.
- Cover the cost of the £75 cancellation charge.

- Pay Miss A £400 compensation for the distress and inconvenience caused by cancelling her policy.

**My final decision**

My final decision is that I uphold this complaint and I require Watford Insurance Company Europe Limited to carry out the steps I've set out above in the 'Putting things right' section of this decision.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss A to accept or reject my decision before 13 December 2024.

Daniel Tinkler  
**Ombudsman**