

## **The complaint**

Mrs D complained that Watford Insurance Company Europe Limited declined her claim under her motor insurance policy after her car was stolen.

## **What happened**

Mrs D's car was stolen and recovered damaged, and she claimed under her policy. Watford decided that her car was uneconomical to repair and offered her what they said was its market value. Mrs D didn't think that was enough and disputed it. She thought her car was worth around £29,000. This was much more than the £9,000 she'd declared as her car's value when she took out the policy. Watford said that if she'd told them its correct value then, Watford wouldn't have insured her at all.

They then declined her claim and cancelled her policy. They said that she had misrepresented the car's value when she took out the policy, and that this was a deliberate or reckless misrepresentation, so they didn't need to refund the premium she'd paid.

Watford also said that she'd failed to tell them that her policy documents were incorrect when they showed the car's value as £9,000.

Mrs D wanted Watford to honour her claim, and pay her what her car was worth, or at least the £9,000 she'd insured it for. Mrs D said that she'd just made an honest mistake when stating its value when she took out the policy.

The investigator recommended that Mrs D's complaint be partly upheld. She thought that Mrs D had made a careless misrepresentation and so it was not unfair for Watford to decline the claim. But she thought that Watford should refund Mrs D the premium she'd paid plus interest. Neither Watford nor Mrs D agreed and so I've been asked 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 the investigator explained, although we think a valuation is matter of opinion, we look at whether the consumer gave a reasonable answer to the question Watford asked about it when taking out the policy. And our approach is to follow that set out in the relevant law on misrepresentation, the Consumer Insurance (Disclosure and Representations) Act 2012. As the investigator noted, it says that a consumer needs to take reasonable care not to make a misrepresentation when taking out an insurance policy. If a consumer fails to take reasonable care, and their misrepresentation is a qualifying one, the insurer can take certain actions.

This means I need to consider whether Mrs D did take reasonable care not to make a misrepresentation, whether her misrepresentation was a qualifying one, and whether the actions Watford then took were in line with CIDRA.

Watford said that Mrs D didn't take reasonable care when taking out her policy. This was because she gave her car's value as £9,000.

Mrs D took out her policy via an online insurance comparison website. Mrs D said that she thought she had provided the correct information when she completed the online form. She thought that she'd said its value was £29,000 and said she was shocked to find otherwise. She said that this was due to her honest mistake and wasn't deliberate.

I think that Mrs D should have been expected to know that she should answer the question about her car's value correctly. Watford asked that specific question to obtain the information they needed in order to decide whether or not to insure Mrs D.

Watford have shown us their underwriting criteria that confirm that they would not have insured Mrs D at all had she answered the question correctly. Their underwriter has a maximum car value it will accept when insuring a particular vehicle.

Mrs D said that it was not in her interests to have mis-represented the position, and risk not being insured, particularly when she was liable for outstanding finance on the car. Her representative on her behalf explained that at the time Mrs D took out the policy she had a young baby and was sleep deprived and under great emotional pressure. I can see this would have been a challenging time for her.

Watford said that her misrepresentation was either done deliberately with a view to obtaining a lower premium, or reckless. But Watford haven't proven either of those. They've shown us that Mrs D sought multiple quotes on the comparison website but they haven't shown us the detail of these, and the seeking of multiple quotes does not on its own confirm that Mrs D deliberately misrepresented her car's value. Watford think she gave one reason after another for the misrepresentation, and they didn't believe her. But I've listened to various calls when Mrs D discussed how the mistake might have come about and I'm not persuaded that it was deliberate or reckless.

I can also see that Mrs D was confused because during the claim discussion she said that Watford's staff told her the car's stated value wasn't important as regards the car's value for settlement payment. But the value stated at taking out the policy was important in the sense that if Mrs D had stated the correct value, Watford would not have offered her a policy at all.

She was also unhappy that Watford had at first offered a market value for her car and taken her bank details for payment, but then declined the claim. But while I think that Watford could have perhaps managed Mrs D's expectations better then, Watford were entitled to investigate the claim and consider the misrepresentation issue. They did tell her that they were doing that, and I don't think they took unreasonably long to make the decision.

Nevertheless, even if Mrs D made a genuine mistake, she did not take reasonable care not to make a misrepresentation when she didn't disclose her car's correct value and so this was a careless qualifying misrepresentation. Watford were entitled to know her car's value before Watford agreed to insure her. It was material to them. And the result of her misrepresentation was that Watford entered into an insurance contract with her when they wouldn't otherwise have.

And Watford had sent Mrs D her policy documents to check. These include her proposal form, and motor insurance Schedule. Both of these give her car's value as £9,000. The proposal form states that the documents are to be read together with the other policy documents and says:

*"IMPORTANT: This is the information you supplied and on which your Insurance is based... You should also ensure that the information you have provided in this statement is accurate. If it is incorrect in any way please tell your intermediary immediately. Failure to supply accurate and complete answers may mean Your Policy is invalid and that it does not operate in the event of a claim."*

I think this was clear and Mrs D didn't ask Watford to correct the mistake as to her car's value.

And so I can't say that Watford have acted unfairly in declining her claim for misrepresentation. I know that Mrs D will be disappointed by this. She said that she found dealing with Watford about the claim and their refusal stressful and I accept that would have an impact on her. She thinks that Watford should have at least paid her the £9,000 she did declare. But this Service can't ask an insurer to do that, only to put things right where it gets things wrong. Under CIDRA Watford could cancel the contract and decline claims under it. However as I've explained above, I do think that Watford have been wrong as to how they defined her misrepresentation. As I think it was careless, I think it was unfair of them not to refund the premium. I think they should refund that plus interest.

### **My final decision**

For the reasons given above, it's my final decision that I partly uphold the complaint.

I require Watford Insurance Company Europe Limited to refund Mrs D the premium she paid for her policy plus interest at 8% from the date of their decision to cancel her policy.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs D to accept or reject my decision before 21 April 2025.



Rosslyn Scott  
**Ombudsman**