

The complaint

Mr D complains that Watford Insurance Company Europe Limited cancelled his car insurance policy and won't pay his claim for the theft of his car.

My references to Watford include its agents.

What happened

In 2024 Mr D bought a car. On 11 February 2024 he insured the car with Watford.

Mr D's car was stolen on 14 February 2024. He made a claim to Watford.

Watford assessed Mr D's claim over a period of two months, and asked Mr D for additional information about the purchase of the car and the theft. Mr D sent the information requested. He also expressed his frustration at the delay and complained. He said it was difficult for him to get to work without a car and he thought he should have a courtesy car. He said the overall situation was having an impact on his mental health.

On 10 April 2024 Watford said its motor engineer had valued the car at £14,831. Watford offered Mr D this amount less the policy excess of £460.

Mr D disputed the value. He said he thought the car was worth £16,000 and that he'd paid £18,000 for it earlier that year. Watford's engineer thought the purchase price wasn't relevant as he might have paid more than the car was worth. The engineer couldn't find any like for like cars at the value Mr D said his car was worth.

In discussing the car's value, Watford asked Mr D about the answer he had given to its question about the car's value when he'd applied online for the car insurance policy. He'd said the car was worth an estimated value of £500. Mr D said this was simply a mistake in inputting the car's value.

Watford then said that Mr D had deliberately, or at least recklessly, misrepresented the value of the car. Watford didn't accept Mr D's explanation that he had made a careless mistake. Watford said Mr D would have overtyped the pre-populated valuation of £12,592. Also, £500 was only three digits – and wasn't close in figures to the £18,000 that Mr D had paid for the car.

So Watford said that it would cancel Mr D's policy (and not pay his claim). Watford said Mr D would not have been entitled to a courtesy car under the policy terms even if it had not cancelled his policy.

Mr D brought his complaint to us. Our Investigator didn't uphold it. She thought Watford had fairly cancelled the policy on the grounds of a deliberate or reckless misrepresentation. So she said Watford didn't have to pay Mr D's claim. She said Watford reasonably wouldn't have given Mr D a courtesy car for a theft claim.

Mr D asked for an Ombudsman's review. He mentioned the courtesy car again. He said he'd gone through the whole claim process and sent all the information Watford had asked for

and only after that did it cancel the policy and decline the claim. He wanted some money to at least pay the loan he'd taken to buy the car.

I reviewed the complaint and issued a provisional decision saying I upheld Mr D's complaint but only in part. I said:

"I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

The relevant industry rules and guidance say insurers must deal with claims promptly and fairly and not unreasonably reject a claim.

I've provisionally concluded that Watford was entitled to cancel the policy on the ground of misrepresentation and reasonably rejected the claim. But I don't think Watford dealt with Mr D's claim promptly or fairly. I'll explain my reasons.

Did Watford reasonably conclude that Mr D made a misrepresentation?

The relevant law in this case is The Consumer Insurance (Disclosure and Representations) Act 2012 (CIDRA). This requires consumers to take reasonable care not to make a misrepresentation when taking out a consumer insurance contract (a policy). The standard of care is that of a reasonable consumer.

If a consumer fails to take reasonable care, the insurer has certain remedies provided the misrepresentation is - what CIDRA describes as - a qualifying misrepresentation. For it to be a qualifying misrepresentation the insurer has to show it would have offered the policy on different terms or not at all if the consumer hadn't made the misrepresentation.

CIDRA sets out a number of considerations for deciding whether the consumer failed to take reasonable care. And the remedy available to the insurer under CIDRA depends on whether the qualifying misrepresentation was deliberate or reckless, or careless.

Mr D bought his car for £18,000 in 2024.

When applying online for the policy, he was asked for his car's details. A highlighted section of wording then said:

"Let's save some money! Take care to answer questions accurately. Incomplete information could see your policy cancelled or a claim rejected."

So I think Watford made it reasonably clear that Mr D needed to answer its questions accurately and that his policy might be cancelled or a claim rejected if he did not.

The form went on to ask for the car's registration number and, from that, various information about the car was pre-populated into the form. Mr D was then asked:

"Roughly, how much is the car worth?"

Good to know

This is an estimated market value for your vehicle, from an independent car valuation provider. It depends on things like mileage, optional extras and overall condition.

If the vehicle is written off or stolen, the insurer will usually pay out the market value. This value is not necessarily the amount you'll receive in the event of the claim.

If you don't agree with the valuation you can still enter what you think your vehicle is worth."

I accept Watford's evidence that the box was pre-populated with a value of £12,592. I say this because Watford has shown us a later sample application in which the car's valuation is pre-populated.

Mr D then changed the value to £500. He accepts he did so but says that he made a mistake when inputting the value.

I think Mr D made a misrepresentation when he said his car's value was £500. He had paid £18,000 for it that year.

Watford's policy underwriter has shown that it would not have offered Mr D the policy if he'd said it was worth the amount he'd paid for it of £18,000. This is because the combination of the car's value, make and model would mean Watford's underwriter would not have accepted the risk of insuring the car.

So I'm satisfied that Watford has shown that Mr D made a 'qualifying misrepresentation' because it would not have insured the car if Mr D had told it the amount he thought it was worth.

I've now gone on to consider whether Mr D's mistake was deliberate or reckless, or careless. In doing so I've thought about Mr D's explanation that he made an inputting error together with Watford's comments. Watford said, in summary:

- Although Mr D had said he'd put £500 by mistake, Watford thought this was intentional and that Mr D had deliberately misrepresented the value of the car. Watford said this because he had typed the number himself, in place of the pre-populated value and it was his responsibility to check it was correct. £500 is very different from a value above £10,000. If Mr D had intended to enter £18,000, for example, that number is five digits long but £500 is only three digits. So it was noticeable.*
- It had asked Mr D to check the proposal form. If he did not check, then Watford said the misrepresentation was at the very least reckless. Watford said Mr D had told it his previous motor insurer had quoted £2,000 to insure his car. So it thought the premium quoted by Watford of just over £1,000 should also have prompted him to wonder why Watford's premium was lower. It said he would reasonably have expected it to be much lower if he was aware he'd entered a much lower vehicle valuation.*

I've carefully considered the available evidence. I currently consider that it was reasonable for Watford to conclude that Mr D's misrepresentation of the car's value was deliberate or reckless. I accept it is possible for inputting mistakes to be made. But I've not seen any evidence to explain how Mr D could reasonably have mistyped £18,000 to read £500. There is a difference in the number of digits and a keyboard error doesn't explain how £18,000 can become £500. For example, a missed digit could mean £18,000 could read £8,000 or £1,800 but not £500.

I've seen evidence to support that Mr D told Watford he had changed insurers after buying his car because the previous insurer had quoted a much higher premium than Watford. Watford sent Mr D a proposal form which clearly said he'd stated his car's value was £500. On balance, I think it's more likely than not that Mr D's error was deliberate or at least reckless.

I currently think Watford reasonably concluded that Mr D's misrepresentation was deliberate or reckless. As such, under CIDRA it was entitled to cancel the policy and it does not have to refund the policy premium.

As the policy has been cancelled, this means that Watford does not have to pay Mr D's claim. As our Investigator has explained, Mr D would not have been entitled to a courtesy car under the policy terms even if Watford had accepted and paid the theft claim.

Did Watford deal with Mr D's claim promptly and fairly?

Watford made a detailed investigation into Mr D's theft claim. This included asking Mr D for information about the circumstances of the theft, for his neighbour's CCTV and information about the garage from where he'd purchased the car. He gave Watford all the information it had requested.

It's not unreasonable for Watford to investigate a claim. But I've seen from Watford's records that at the very start of the claim it noted that Mr D had said his car was worth only £500 in the online application for the policy. Watford later acknowledged that it should have dealt with this issue earlier and I agree.

I think Watford should fairly have looked at the misrepresentation issue at the outset of the claim, given it identified that Mr D had told it his car was worth only £500 when it first assessed the claim. Instead it took two months to investigate his claim and then offered to pay him the amount it assessed his car was worth.

Watford was aware from his many calls to it that Mr D was finding it difficult to get to work for his early shifts without a car and that he was very distressed at the time it was taking Watford to assess his claim.

I can't fairly compensate Mr D for the disappointment he felt at the cancellation of his policy as this was due to his own misrepresentation of the car's value. But Watford led Mr D to believe that his claim would be paid and I think he suffered distress, inconvenience and loss of expectation when Watford cancelled the policy and refused the claim after it had made an offer to him to pay the claim.

Having considered the overall circumstances, I think Watford should pay Mr D some moderate compensation for its poor handling of the claim. I think £200 is fair and reasonable.

I appreciate that Mr D is looking for compensation to pay his car loan, but there are no reasonable grounds for me to award him compensation for the cost of his car finance."

Watford responded to say it accepted my provisional decision.

Mr D responded to say he didn't accept my provisional decision. In summary, he said that £200 was not fair because he was still paying his car loan. He had given Watford all the evidence it requested in support of his claim, including CCTV footage, and could send this to me together with proof of his car loan if required. He had paid money for his insurance and had not done anything wrong.

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.

Mr D explained why he didn't accept my provisional decision during a telephone call with our

Investigator. I've listened to that call and carefully considered his comments. But they don't persuade me to change the findings I reached in my provisional decision. I'll explain why.

I've seen all the evidence that Mr D sent to Watford in support of his claim. This includes the CCTV evidence. I accept that he sent the evidence Watford asked him for and I don't think that's in dispute. So I don't need Mr D to send me the evidence he has offered to fairly decide this complaint.

The central issue is whether Mr D made a misrepresentation about his car's value and, in turn, whether this meant that Watford fairly cancelled his policy and refused to pay his claim.

As I've set out in my provisional decision, when he applied for the car insurance policy Mr D had told Watford his car was worth £500. That wasn't correct as he later told Watford he'd paid £18,000 for it in 2024. Mr D accepted that he made a mistake in the application. So Mr D made a misrepresentation when he applied for the car insurance policy with Watford.

The misrepresentation was what is known in CIDRA as a "*qualifying misrepresentation*". By this I mean that Watford's underwriter would not have insured the car in the first place if Mr D had told it the amount he thought it was worth. The combination of the car's value, make and model meant Watford would not have accepted the risk of insuring the car.

I am still of the opinion that Watford reasonably concluded that Mr D's misrepresentation (saying his car was worth £500) was deliberate or reckless for the reasons I've already given. As such, under the relevant law (CIDRA) Watford was entitled to cancel the policy and it does not have to refund the policy premium.

In cancelling the policy Watford was entitled to treat the policy as void; that is, that it had never existed. This means Watford does not have to pay Mr D's claim under the policy. I appreciate Mr D had paid Watford the premium for the policy. But under the relevant law (CIDRA) Watford does not have to refund the premium to Mr D because it reasonably concluded his misrepresentation was deliberate or reckless.

I've explained why I think Watford should reasonably have dealt with the misrepresentation issue before it assessed Mr D's claim. I said this because Watford's claim handler had queried the car's value on the application form before assessing the claim.

Instead, Watford took around two months to investigate the claim. It then made an offer to Mr D for the amount it thought his car was worth. It then withdrew the offer. I am still of the view that Watford should pay Mr D compensation for the distress, inconvenience and loss of expectation he was caused when it cancelled the policy and refused the claim after taking two months to assess it and making an offer to Mr D.

I consider Watford should offer compensation to Mr D and it has accepted my findings. I think £200 represents a fair and reasonable amount.

Mr D has told me that he doesn't accept £200 is fair because he is still paying the loan he took out to buy the car. I do understand what he is saying.

But the compensation I am awarding relates only to Watford's handling of the claim itself. I've decided that Watford was entitled to cancel Mr D's policy and that it did not have to pay his claim for his stolen car. This means I can't fairly hold Watford responsible for the loan that Mr D took out to pay for his car.

My final decision

For the reasons set out in my provisional decision and in this final decision, I uphold this complaint but only in part. I require Watford Insurance Company Europe Limited to pay Mr D £200 for his distress, inconvenience and loss of expectation.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr D to accept or reject my decision before 8 January 2025.

Amanda Maycock
Ombudsman