

## **The complaint**

Mr E complains that Watford Insurance Company Europe Limited (“Watford”) unfairly cancelled his motor insurance policy without giving a clear explanation.

## **What happened**

Mr E took out a motor insurance policy with Watford through a third-party in June 2024. Watford carried out validation checks and identified links to other fraudulent applications. It cancelled Mr E’s policy because of this and refunded the unused part of his premium.

Mr E complained but in its final complaint response Watford explained that it was able to cancel his policy in line with its policy terms and conditions where there is evidence of fraud.

Mr E didn’t think he’d been treated fairly and referred the matter to our service. Our investigator upheld his complaint in part. He says Watford had shown evidence of fraud relating to the third-party Mr E had used to obtain his policy. So, he didn’t think it acted unfairly when it cancelled his policy. However, he didn’t think Watford had shown Mr E was aware of any fraudulent activity when he used the third-party to apply for his policy. Our investigator says it should remove any record of the cancellation from its internal and any external databases.

Watford didn’t accept our investigator’s findings. It says it was reasonable for it to record Mr E’s policy as having been cancelled for reasons of fraud.

As an agreement wasn’t reached the complaint has been passed 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.

Having done so I’m upholding Mr E’s complaint in part. Let me explain.

Watford says its policy terms and conditions allow it to cancel a policy where there is evidence of fraud. I’ve focused on whether it has reasonably shown this to be the case here.

Mr E’s policy terms say:

### ***“Our Cancellation Rights***

*... 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:*

*.. Where We have evidence of fraud or dishonesty.”*

These terms are clearly worded. Watford is able to cancel Mr E's policy where it has found evidence of fraud.

In its submission to our service Watford has shown there are links between the third-party Mr E used to apply for his policy, and other policies that had been applied for fraudulently. I'm not able to share this information as it's considered confidential. But I'm satisfied from what I've read that the third-party Mr E used has links to fraudulent applications. Based on this evidence Watford was able to cancel Mr E's policy for the reasons it gave.

I've thought about the cancellation Watford has recorded against Mr E's policy. This will have a detrimental impact when he tries to obtain insurance going forward. So, I've considered whether this was fair.

In his contact with our service, Mr E explains that he found the third-party through an advertisement on a social media site. He denies being aware of any fraudulent activity.

Watford says the third-party Mr E used isn't a regulated insurance broker. The third-party in these circumstances is commonly referred to as a "*ghost broker*". Ghost brokers make money in a number of different ways, which all involve fraud. They often advertise through social media, which is how Mr E says he learned about the third-party's services.

What I need to consider is whether Watford has shown that Mr E should reasonably have known that he was using an unregulated broker. To do this I'd expect to see that it carried out a thorough investigation. But I can't see that it did. It has carried out a detailed investigation to show that the third-party is linked to fraudulent applications. But Watford hasn't shown that Mr E should've been aware that the third-party was operating as a ghost broker.

This doesn't mean it was unfair for Watford to cancel Mr E's policy. It clearly has the right to do this as it's shown the third-party is linked to other fraudulent applications. So, its policy terms allow it to cancel the policy. But the approach our service takes is that we expect Watford to give Mr E the chance to cancel the policy first. This is because it hasn't shown that he knew about the unregulated broker. And because of the impact the insurer's cancellation will have when obtaining future insurance. Because Watford didn't give Mr E this option, we expect it to put this right by amending its internal and any external records to reflect the policy having been cancelled by him.

In summary, I don't think Watford acted unfairly when relying on its policy terms to cancel Mr E's policy for the reasons it gave. But it didn't treat him fairly when recording the cancellation in the way it did. It should remove the record it made and write to Mr E confirming that the policy has been recorded as cancelled by him.

### **My final decision**

My final decision is that I uphold this complaint in part. Watford Insurance Company Europe Limited should:

- remove all records of it cancelling the policy from both internal and external databases; and
- write to Mr E confirming the policy has been recorded as cancelled by him.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr E to accept or reject my decision before 19 February 2025.

Mike Waldron  
**Ombudsman**