

## **The complaint**

Mr M complains that Watford Insurance Company Limited ('Watford') cancelled his car insurance policy and didn't refund his premium.

References to Watford include its claims administrator.

## **What happened**

Mr M took out a car insurance policy underwritten by Watford in November 2023. In his application, he said his occupation was an airport controller.

In December 2023, Watford were contacted by a third party who was holding Mr M liable for an accident. Mr M denied involvement in the accident, but when Watford interviewed him, it discovered he was unemployed and had never worked as an airport controller. Watford said had it known this, it would have offered Mr M cover, but would have charged a higher premium.

In March 2023, Mr M contacted his insurance broker to inform it his occupation was now a delivery driver. Watford didn't consider this to be an acceptable risk, so it decided to cancel the policy and waive the usual £75 fee. However, Watford didn't refund any premium to Mr M because it was still investigating the accident Mr M was being held liable for.

Watford didn't uphold Mr M's complaint saying under the policy terms any changes to the policy were subject to its approval, and since Mr M's new occupation wasn't one it would cover, it was entitled to cancel the policy. It also said it was still defending Mr M on the claim being made against him from the third party, but since this claim was still ongoing, it couldn't refund any premium.

Our investigator didn't think Watford had acted unfairly as it had provided evidence to show it wouldn't cover Mr M based on his new occupation. And, although Watford had initially disputed liability, he thought based on the evidence it had obtained during the claim, Watford had reasonable grounds to have later settled the third party's claim.

Because Mr M didn't agree, the complaint was referred 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, while I understand Mr M will be disappointed, I've decided not to uphold this complaint. I'll explain why.

I should start by saying while I've read and considered everything Mr M and Watford have provided, I won't be commenting on every point made. I'll instead concentrate on what I consider are the key points I need to think about for me to reach a fair and reasonable

decision. This isn't meant as a discourtesy to either party, but instead reflects the informal nature of this Service.

I've first considered if it was fair and reasonable for Watford to have cancelled the policy.

I've begun by looking at the policy terms. These say the insured must immediately notify their broker if they start a new job, and any changes to the policy will be subject to Watford's agreement and may not be acceptable.

So, under the terms of the policy, Mr M was required to notify his broker of his new occupation, and Watford wasn't obligated to continue to insure him based on his change of circumstances. It isn't unusual for car insurers to require details of a policy holder's occupation and to use this as a factor when deciding if they'll offer cover, or on what terms.

Where there has been a change in circumstances during the policy year, we'll usually consider if it's a fundamental change in risk that meant it was reasonable for an insurer to reassess the risk. As Mr M's new job likely would have involved more driving than when he was unemployed, I think it's reasonable to consider it would have been a fundamental change in risk.

Watford has provided confidential, business sensitive information showing it wouldn't have offered cover to Mr M based on his new occupation. Because Watford wasn't obligated under the policy terms to continue to offer cover when Mr M started his new job, his new job was a fundamental change in risk, and Watford has shown it wouldn't have insured anyone else working in the same occupation as Mr M, I don't think it acted unfairly by cancelling his policy.

I've next considered if it was reasonable for Watford not to issue any premium refund.

The policy terms say if the policy is cancelled the insured would only be entitled to a refund of premium if they haven't made a claim or haven't had any claim made against them. This isn't unusual, as annual insurance policies typically require payment of the full annual premium if the policy is cancelled during the policy year and the insurer has paid a claim.

I acknowledge Mr M disputes involvement in the incident he was alleged to have been liable for. But, once the third party contacted Watford holding Mr M liable for this accident, Watford had a responsibility to open a claim, investigate it, and ultimately decide whether to accept or dispute liability on Mr M's behalf.

At the point Mr M's policy was cancelled, the claim was still open. Watford said it was defending Mr M, but still investigating the claim. Because the outcome of the claim was uncertain at this point, I don't think it was unfair Watford didn't refund any premium. This is because the possibility existed that Watford would have to settle the third party's claim.

After completing its investigations, Watford decided to settle the third party's claim. Under the terms of the policy, Watford were allowed to do this as the terms say Watford can take over and conduct the defence or settlement of any claim.

This is in line with industry standards as car insurance policies typically contain terms like this which allow the insurer discretion on whether to accept or defend liability on a claim brought by a third party.

I should say here my role isn't to decide if Mr M was liable for the accident. That's something only a court would be able to decide. I have instead considered if Watford carried out a

reasonable investigation into the claim, and fairly exercised its discretion to settle the third party's claim.

Mr M was alleged to have collided with the third party's vehicle in December 2023. The third party's version of events were that while they were proceeding correctly in the right-hand lane, Mr M moved into their lane to avoid the car in front of him, and collided with their car. Mr M was alleged to have left the scene without exchanging details.

I think Watford investigated the claim fairly. It interviewed Mr M and took his version of events. It sought further evidence from the third party while it was investigating the claim and defending Mr M, and it carried out an engineer's inspection on Mr M's car and the third party's car to check if there was damage consistent with the reported accident.

The engineer reported back to Watford that they found damage to both vehicles which was consistent with the alleged incident. And following this, Watford decided to settle the third party's claim.

Watford ultimately would have needed to decide between settling the third party's costs or litigating. But it thought because the damage to both vehicles was consistent it would be held liable. I don't think it was unreasonable for Watford to think this would limit its prospects of defending the claim, so I don't think Watford unfairly exercised its discretion to pay the third party's claim. And since there was a claim on the policy which Watford had paid, and the cost of that claim was more than Mr M's premium, I don't think it was unreasonable for Watford not to issue any premium refund.

Lastly, I note Mr M said he was asked to pay £475. Watford hasn't commented on this in either of its final responses and I haven't seen anything to show Mr M has already complained about this. So, I can't consider this complaint point and Mr M will first need to make a complaint directly to the business that has requested this payment from him.

### **My final decision**

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 M to accept or reject my decision before 10 April 2025.

Daniel Tinkler  
**Ombudsman**