

The complaint

Mr A and Mrs K complain that Watford Insurance Company Europe Limited refused cover on a claim made on their car insurance policy

What happened

In September 2022, Mr A and Mrs K took out car insurance policy with Watford. Mr A was a named driver on that policy and when it was taken out, Mr A and Mrs K said he was unemployed.

In July 2023, Watford told Mrs K a third-party made a claim for an accident involving the insured car. Watford spoke to Mrs K and she said Mr A was working as a Chef, part-time.

In July 2024, Watford told Mrs K it wouldn't provide cover for the claim. It said Mrs K needed to reimburse it the full cost of the third-party's claim (the claim), totalling £5,821.74. Mrs K complained and wanted Watford to withdraw this demand.

Watford issued a complaint response in July 2024. It said Mr A's occupation changed after the policy was taken out, but Mr A and Mrs K needed to notify Watford of that change. Watford said had it been notified; it would not have continued to provide cover for Mr A and his new occupation. Watford also said the exclusion for use of the car for food delivery applied. So it said Mrs K still needed to reimburse it what it paid under the claim.

Mr A and Mrs K referred the complaint to the Financial Ombudsman Service. They said they weren't in a position to reimburse the costs Watford was seeking, and this was causing immense worry, stress and panic. They wanted Watford to retract its demands.

The Investigator upheld the complaint. They said Watford didn't sufficiently highlight the ongoing duty of disclosure when the policy was taken out, so it wasn't fair for it to rely on this to refuse cover. They said they were satisfied the incident didn't occur when a food delivery was taking place. So it wasn't fair for Watford to rely on the exclusion for food delivery. They recommended Watford reconsider the claim and pay Mr A and Mrs K £200 compensation.

Mr A and Mrs K agreed, but Watford didn't agree. It said it made the relevant terms clear and it wouldn't have continued to provide cover if it had been notified of the change.

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.

Watford is relying on a term which requires the policyholder to advise it of any changes after the policy has started. The terms say:

“Changes which may affect Your cover

The Terms of Your Policy and premium are based on the information You have given us. If any of this information changes You must notify Us by calling Your broker.

Below are some examples of what You should tell us. Please note these lists are not exhaustive and You should contact Your Broker if You are unsure about whether You need to inform Us of a change...

You must tell Us immediately if:

You or anyone covered by this Policy ceasing or changing jobs, or starting a new job, including any part-time work...."

I've listened to Watford's call with Mrs K in July 2023. When Mrs K was asked if Mr A was a delivery driver, she said no, and that he sometimes works as a chef, part-time, and had been doing so for around six to seven months. So I think it was fair for Watford to consider Mr A was employed, and that his occupation had changed after the policy was taken out, and before the claim.

The term Watford is relying on is known as an ongoing duty of disclosure, and terms like the above are often referred to as "change in risk clauses". And because I consider this a significant term, I'd expect Watford to sufficiently highlight this term at the start of the policy, including the changes it does want to know about. If it doesn't, I wouldn't consider it fair for Watford to take any action if Mr A and Mrs K failed to tell it of the change in occupation.

I've reviewed the policy terms and I can see the requirement to notify Watford about a change in occupation is only detailed on page 34 of its 41 page policy booklet. I don't think this reasonably stands out as something that was made clear to Mr A and Mrs K when the policy was taken out.

I've also considered the Insurance Product Information Document (IPID) Watford provided when the policy was taken out. This says:

"What are my obligations?"

You must let your Broker know if there are any changes to your personal details or changes to your car."

Although it highlights the obligation to notify of changes in personal details, I don't think this goes far enough to highlight Mr A and Mrs K were under a duty, under the policy terms, to notify of any change in occupation. I don't think the reference to "*personal details*" is sufficient in the circumstances.

Overall, I don't think Watford sufficiently highlighted the requirement to notify it of any change in occupation. Had it done so, I consider it more likely than not that Mr A and Mrs K would have told Watford about the change in occupation. I say this because Mrs A was open about the change in occupation when discussing the claim with Watford in July 2023, and it appears she was unaware this needed to be disclosed before.

For the reasons outlined above, I don't consider it fair for Watford to rely on the change in risk clause to refuse the claim.

I've also considered whether a policy exclusion fairly applies to the circumstances of the claim.

The policy terms say it does not cover:

"Any injury, loss or damage occurring while Your Car is being:

used for any purpose not shown on Your Certificate of Motor Insurance”

And Mr A and Mrs K’s certificate of insurance says under ‘exclusions’:

“...use for hire or reward for fast food delivery...”

Based on the above, I’m satisfied the policy excluded cover for an incident that occurred when the car was being used for fast food delivery.

Turning back to the call recording between Mrs A and Watford of July 2023, when she was asked if Mr A was a delivery driver, she said no, and that he sometimes works as a chef. And when she outlined the circumstances of the incident, she said Mr A was working inside (the place of employment) at the time and had just parked his car.

So, on balance, I think it’s more likely than not that at the time of the incident, Mr A was not using the car for fast food delivery. The policy did cover use of the car to travel between home and a permanent place of business. So I don’t consider it fair for Watford to rely on the exclusion for use for fast food delivery to refuse the claim, in the circumstances.

For the reasons outlined above, I consider Watford acted unfairly in refusing cover for the claim of July 2023. Mr A and Mrs K said Watford’s decision, and being asked to pay such a substantial sum, caused them worry, stress and panic. In the circumstances, I’m persuaded this was likely the case, and I think the £200 compensation the Investigator recommended is fair and reasonable. So this is what I will direct Watford to pay.

My final decision

My final decision is that I uphold this complaint. Subject to my comments above, I require Watford Insurance Company Europe Limited to:

- Reconsider the claim in line with the remaining terms of the policy, without relying on the change in risk clause, or the exclusion for use for fast food delivery.
- Pay Mr A and Mrs K £200 for the distress and inconvenience caused.

Under the rules of the Financial Ombudsman Service, I’m required to ask Mr A and Mrs K to accept or reject my decision before 3 April 2025.

Monjur Alam
Ombudsman