

The complaint

Mr K complains about the cancellation of his motor insurance policy by Watford Insurance Company Europe Limited ('Watford').

What happened

The background to this complaint is well known to Mr K and Watford. In my decision, I'll focus mainly on giving the reasons for reaching the outcome that I have.

Mr K took out a motor insurance policy with Watford which began on 17 July 2024. On 22 July 2024, Watford gave notice to Mr K that they were cancelling his policy as they believed it had been set up fraudulently. Mr K raised a complaint about the policy cancellation, and as he remained unhappy with the response from Watford, he referred the complaint to our Service for an independent review.

Our Investigator considered the complaint but didn't recommend that it be upheld. As the dispute remains unresolved, the complaint was referred to me for a decision. I recently sent both parties a copy of my provisional, intended findings. As the deadline for responses has passed, I'll now consider the complaint for a final decision.

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.

Our Service is an alternative, informal dispute resolution service. Although I may not address every point raised as part of this complaint - I have considered them. This isn't intended as a discourtesy to either party – it simply reflects the informal nature of our Service.

The scope of my decision

My decision will consider whether Watford fairly cancelled this policy for fraud reasons, based on the evidence available at the point of cancelling the policy and whether it was fair to add fraud markers to Mr K's record (specifically for the cancellation reasons) – not any investigations carried out afterwards.

For clarity, it's not the role of our Service to determine whether or not a customer has acted fraudulently.

Responses to the provisional decision

Both Watford and Mr K responded to my decision prior to the deadline set. Neither accepted it. Mr K said:

"Given that I have committed no fraud and that the ombudsman has found the cancellation process to be unfair, I would like confirmation that any fraud markers placed against my name as a result of this cancellation will be removed." And;

“...while I acknowledge the recommendation of £100 compensation, I would like to highlight the significant distress and financial impact this situation has caused me. Given that I was denied a fair opportunity to respond and that this has affected my ability to obtain insurance at normal rates, I request that the level of compensation be reconsidered.”

The above points are not information that materially affects the outcome I'd previously intended to reach. I say this because I've explained I'm only considering any fraud markers being added for the reasons outlined in the cancellation letter of 22 July 2024 – not any other reason Watford may have chosen to rely on. In summary, if Watford only added the fraud markers for the above reasons, they will need to remove them. If they added the fraud markers for any *other reasons* that came to light after the final response letter – that's not considered in this decision and would need to be a new complaint.

In the very specific circumstances of this complaint, I still find £100 to be a fair and appropriate amount of compensation. If Mr K feels he's had to pay more for insurance, he'd now need to speak to those other insurers to potentially have those policies re-rated.

As neither Mr K nor Watford provided any new information that would materially change the outcome I'd intended to reach, I find no fair or reasonable reason to deviate from my intended decision. Therefore, my earlier findings form the basis of this, my final decision.

My key findings

Watford let Mr K know that they believed this policy was linked to other fraudulent applications. Watford then relied on the below policy term to cancel this policy [bold added for Ombudsman's emphasis]:

*“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:*

c) Where We have evidence of fraud or dishonesty.”

Having carefully considered the evidence that underpinned this decision, I find that Watford have acted unfairly and unreasonably when immediately cancelling the policy. I'll explain why below.

Mr K was told that his policy had been set up fraudulently (letter dated 22 July 2024). He was also told in the final response letter:

“After a policy is purchased, the Underwriter will carry out various checks.... On this occasion, the Underwriter found that your policy was linked to other fraudulent applications.... I am satisfied that the Underwriter was entitled to exercise their right to cancel your policy due to your policy being linked to other fraudulent applications”

But crucially, he was not given the opportunity to present any defence or given a right of reply - as he wasn't given the specific reasons why Watford had the suspicions that led to them cancelling this policy (this policy being linked to other alleged fraudulent applications). This was unfair. I've carefully weighed this up against the reasons Watford believe it was justified not to share this information. I agree with Watford that there *will* be circumstances where it is appropriate not to share information that underpins a cancellation reason. But I find that in the very specific individual circumstances of this complaint, they ought to have

either conducted further investigations into their suspicions or given Mr K the opportunity to explain things – and therefore haven't treated Mr K fairly.

In an email to Mr K dated 6 November 2024, Watford stated: *"I can only reiterate that no specific information will be provided. The Underwriters stance on this matter will not change. Indeed, where there is any concern of fraud, it is an offence to disclose."* But recently, Watford have referred to the 'burden of proof' resting with Mr K to provide an explanation to alleviate their concerns. They also provided an alternative explanation to explain their concerns which calls into question how thoroughly they considered the alleged fraud prior to cancelling. Regardless, it stands to reason: how could Mr K alleviate Watford's concerns when he wasn't fairly asked any questions, given an opportunity to address or explain the specific concerns they had?

Returning to the policy terms quoted above, I find that Watford do indeed have the right to immediately cancel where they had evidence of fraud or dishonestly. But here, whilst they had enough evidence to *arouse* suspicion – I find they didn't have enough evidence to fairly deem that fraud had *taken place* - based on what they've shown about their investigation into their suspicions prior to cancellation. As above, I'm not deciding whether Mr K has acted fraudulently, I'm only considering Watford's response when cancelling the policy.

I've then considered what likely would have happened if Watford had acted differently and investigated their concerns with Mr K. On balance, I find it more likely than not that Watford would've ultimately still cancelled this policy, even if Mr K had been given a fair right of reply. So in effect, the end result would likely have been the same – a cancelled insurance policy.

For the reasons outlined above, it follows that it's unfair and unreasonable for Watford to record any external fraud marker against Mr K's name, specifically for the reasons they relied on to cancel this policy on 22 July 2024. Our Service did specifically ask Watford if they had reported/recorded any such markers in an email dated 21 January 2025 – but no response to this question was received. So my assumption, for completeness, is these markers were recorded.

I make this point as Watford have recently referred to other information to justify their decision, that they've previously not relied on to justify the cancellation. In any event, in this decision I'm only considering their actions up until 22 July 2024.

For complete clarity and for the benefit of both parties - if Watford relied on other reasons since to record any such fraud markers, that's beyond the scope of this decision and not something I'm making any findings on here.

My key finding in this decision is Watford prematurely cancelled the policy without adequately investigating the evidence that gave rise to their fraud suspicions and, as a result, it was unfair to add fraud markers to Mr K's record solely because of their concerns and investigation, as of 22 July 2024.

The impact on Mr K

I've considered if any compensation ought to be owed to Mr K.

I note he's referenced paying higher premiums for temporary cover. As above, I think it's more likely than not this policy would still have been cancelled by Watford and any declared insurer led cancellation will almost always impact the premiums other insurers would charge.

Regarding any impact on premiums because of any fraud markers (added for the 22 July 2024 cancellation reasons), Mr K can then approach any relevant insurer to have those

policies rerated. However, temporary insurance by its' very nature is relatively more expensive per week or month than a yearly insurance policy and any recorded cancellation will usually result in higher premiums regardless.

Finally, for any avoidable inconvenience and distress caused by Watford's actions, I award £100 compensation.

Putting things right

Watford Insurance Company Europe Limited need to:

- Remove any fraud markers recorded on any internal or external databases *solely** because of their investigation into alleged fraud concerns as of the date of the cancellation letter (22 July 2024).

*If Watford have recorded fraud markers for other reasons since, that's not within the scope of my decision or this direction.

- Pay Mr K £100 in recognition of any distress or inconvenience caused by their actions.

My final decision

My final decision is that I uphold this complaint. Watford Insurance Company Europe Limited now need to follow my direction as set out under the heading '*Putting things right*'.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr K to accept or reject my decision before 31 March 2025.

Daniel O'Shea
Ombudsman