

The complaint

Mr O has complained that Haven Insurance Company Limited cancelled his motor insurance policy and refused to pay his claim. He's also unhappy with the service it provided and delays in returning his car.

What happened

Mr O took out a motor insurance policy with Haven through an online price comparison site. When his car was damaged after it was hit whilst parked and unattended, he tried to claim on his policy.

Haven declined his claim, cancelled his policy and kept the premiums he'd already paid. It also asked for the outstanding premiums to be paid. When Mr O complained, it said he'd answered incorrectly the question he'd been asked about who the car's registered keeper was. And that it considered this to be a deliberate qualifying misrepresentation, which entitled it to cancel his policy and refuse his claim. Haven said it hadn't caused any delays in the claim but it paid Mr O £50 compensation for the trouble and upset caused by its salvage agent taking three weeks to return Mr O's car.

Mr O brought his complaint to us, and our Investigator thought it shouldn't be upheld. She agreed there had been a qualifying misrepresentation. And she thought this was deliberate. So she thought Haven was entitled to cancel the policy and decline the claim. She also thought Haven was entitled to ask for the outstanding premiums to be paid. And she thought its compensation for the delay in returning the car was fair and reasonable.

Mr O doesn't agree with the Investigator and has asked for an Ombudsman's decision. Mr O said the car was registered in his sister-in-law's name to facilitate her care.

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.

I can understand that Mr O feels frustrated and disappointed by Haven's decision about his claim. I can see that a total loss settlement had already been negotiated when Haven decided he'd made a misrepresentation. Mr O has explained that this wasn't done to take advantage of Haven but for the benefit of his sister-in-law's care. I have no doubt that Mr O is an honest person.

I'm satisfied that the relevant law in this case is The Consumer Insurance (Disclosure and Misrepresentation) 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.

And if a consumer fails to do this, 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. One of these is how clear and specific the insurer's questions were. And the remedy available to the insurer under CIDRA depends on whether the qualifying misrepresentation was deliberate or reckless or careless.

If the misrepresentation was reckless or deliberate and an insurer can show it would have at least offered the policy on different terms, it is entitled to avoid the consumer's policy. If the misrepresentation was careless, then to avoid the policy, the insurer must show it would not have offered the policy at all if it wasn't for the misrepresentation.

If the insurer is entitled to avoid the policy, it means it will not have to deal with any claims under it. If the qualifying misrepresentation was careless and the insurer would have charged a higher premium if the consumer hadn't made the misrepresentation, it will have to consider the claim and settle it proportionately if it accepts it.

Haven thinks Mr O failed to take reasonable care not to make a misrepresentation when he stated in his application via a comparison site that the car's owner was his wife, and he was the registered keeper.

And I've looked at the question he was asked when he completed the application and agree he failed to take reasonable care. This is because he was asked:

"Who will the car be registered to?"

Help with registered details

This will be the person or company named on the V5 registration document, known as the registered keeper. The registered keeper and owner aren't always the same person.

Who will own the car?

More on ownership

The owner is the person who paid for the car. If it was a gift, then the recipient is the owner."

And I think this was a clear question asked by Haven through the comparison site Mr O used.

Mr O said his wife, a named driver on the policy, was the car's owner and he was its registered keeper. But when Haven validated the claim, it found that Mr O's sister-in-law was named on the V5 as the car's registered keeper at a different address to Mr O and his wife.

Mr O explained that his wife had bought the car and so she was its owner. But he said they were carers for his sister-in-law and had put her name on her V5 to facilitate this. So Mr O wasn't the car's registered keeper. And I think this means Mr O failed to take reasonable care not to make a misrepresentation when he said he was.

Haven has provided evidence which shows that if Mr O had not made this misrepresentation it would not have offered cover at all. This means I am satisfied Mr O's misrepresentation was a qualifying one under CIDRA.

I also think Mr O's misrepresentation was a reckless or deliberate misrepresentation. This is because I think Mr O knew that his sister-in-law's name, not his, was on the V5. I appreciate he's said he thought this was to help his sister-in-law. But she lived at a different address to Mr O, and he had no insurable interest in the car.

Therefore, I'm satisfied Haven was entitled to avoid Mr O's policy in accordance with CIDRA. And, as this means that – in effect – his policy never existed, Haven does not have to deal with his claim following the damage to the car. And – as CIDRA reflects our long-established approach to misrepresentation cases, I think allowing Haven to rely on it to avoid Mr O's policy produces the fair and reasonable outcome in this complaint.

Mr O said Haven had caused delays in the claim. But I can see that it was just eight days between the claim being raised and Haven cancelling the policy. I think this was a reasonable time for Haven to investigate the claim and validate it.

But I agree that Haven's agent should have returned Mr O's car to him sooner so that he could get it repaired. This took three weeks. And I think Haven's payment of £50 compensation for this delay and its lack of communication is fair and reasonable as it's in keeping with what we'd award in similar circumstances. So I don't require Haven to increase this.

Mr O's policy was cancelled after the first month and Haven has asked him to pay his outstanding premium. I can understand that Mr O feels this to be unfair as his claim was declined. But I'm satisfied that under CIDRA Haven is entitled to ask for the full premium to be paid in the case of deliberate or reckless misrepresentation. And so I can't say this was unfair or unreasonable.

My final decision

For the reasons given above, 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 O to accept or reject my decision before 28 May 2025.

Phillip Berechree
Ombudsman