

The complaint

Mrs H and Mr I complain that Liverpool Victoria Insurance Company Limited (LV) unfairly cancelled their motor insurance policy and declined to pay a claim on it.

The policy concerned is not branded in LV's name but LV is the policy underwriter and is responsible for responding to the complaint. So I have only referred to it within this decision.

What happened

Mr I applied for a policy online. He named his mum, Mrs H, as the policyholder and main driver. He said he would be the named driver on it.

In December 2022 Mr I changed the car on the policy. He said that his mum was the registered keeper of the car. In March 2023 the car was stolen. Mrs H and Mr I claimed for the loss of the car. When LV was looking into the claim Mr I acknowledged that he was recorded on the cars V5 as its registered keeper and not his mum.

In April 2024 LV said that if it had known Mr I was the registered keeper while his mum remained the main driver, it wouldn't have continued to insure them. So it said it was refusing to pay the claim. Mr I then phoned LV a number of times with, amongst other things, questions about whether or not both he and his mum needed to declare the cancellation when taking out further policies. He also asked for a quote for a replacement policy.

In October 2024 Mr I complained to LV about its actions in cancelling the policy and declining his claim. He added that it had not sent him a formal policy cancellation notice.

LV acknowledged that it hadn't issued the cancellation notice previously. But it said that Mr I was aware of the policy cancellation. So it didn't uphold his complaint.

Mr I brought the complaint to the Financial Ombudsman Service. One of our Investigators looked into it. She didn't think LV needed to take any further action. Mr I didn't agree so the complaints 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.

Mrs H is the policyholder and main driver. So she is technically responsible for the information given to LV when taking out or amending the policy. That means Mr I was purportedly acting on her behalf when dealing with LV. But Mr I has acknowledged that he personally completed the initial policy application and change of car details on it. And Mrs H has had no direct contact with LV. Indeed Mr I gave LV his own phone number and email address as being Mrs H's contact details when applying for the policy.

So, while Mrs H ultimately remains responsible for the information given to LV, in the specific circumstances of this case, I think it is fair and reasonable to refer to Mr I's actions alone. That's the case even where Mr I was supposed to be taking those actions on Mrs H's behalf.

In bringing this complaint Mr I has made a number of detailed points. I've considered everything he's told us and everything that's on file. But in this decision I don't intend to address each and every issue raised. Instead I will focus on Mr I's most recent response to our Investigator's assessment of the complaint and the reasons for my decision.

Should LV remove the record of the policy cancellation from external databases?

Mr I has accepted that he made a misrepresentation. He's said he is not contesting the policy cancellation but instead wants the cancellation 'marker' removed.

I'll explain that an insurer taking action to cancel a consumer's motor insurance policy can have significant consequences for the policyholders concerned. That's because many insurers will see an individual who's been the subject of such a cancellation as a high risk. And some insurers will refuse to insure an individual in those circumstances or will only do so for an inflated premium. So the record of the cancellation, or the marker as he's referred to it, will likely affect Mr I's ability to source future insurance policies.

Mr I said the misrepresentation he made was careless rather than deliberate or reckless.

When referring to categorising reasons for the cancellation Mr I is referring to The Consumer Insurance (Disclosure and Representations) Act 2012 (CIDRA). CIDRA says that for its purposes a qualifying misrepresentation is either:

- Deliberate or reckless, or
- Careless.

Mr I believes LV should have categorised his misrepresentation as careless. But, I don't think that would result in the removal of the cancellation marker.

I'll explain that, generally, unless an insurer agrees it's cancelled a policy in error, insurers will not remove the record of that cancellation regardless of the category it falls into.

So when an insurer or comparison site asks a consumer whether or not they have experienced a policy cancellation, the consumer needs to take reasonable care to answer that question accurately. So, depending on the question asked, if a consumer's been the subject of such a policy cancellation, in order to answer the insurer's question accurately it's likely they will need to answer the question to say that they have had a policy cancelled. That's the case no matter how the insurer categorised the reasons for the cancellation.

In fact in this case LV did not rely on CIDRA when cancelling the policy and instead relied on the policy terms. That's something it's entitled to do. So it didn't categorise the misrepresentation using the CIDRA terminology. But in this case the outcome is the same whether it used CIDRA or the policy terms. That is it cancelled the policy and recorded it as such.

And even if LV had categorised the misrepresentation as *careless* that would not result in the removal of the cancellation 'marker'. And given that LV did cancel the policy I don't think it would be fair to instruct it to remove any external record of that when that is precisely what happened.

Was the policy cancellation valid?

After LV told Mr I it was declining the claim and couldn't continue to insure him he spoke with it on more than one occasion. And in those calls LV told him it would send him a notification of the cancellation. But it didn't do so at that time. In fact it didn't send the required cancellation notice until after Mr I complained over 18 months later.

LV has accepted that it should have sent the cancellation notice promptly. It said that a system problem prevented this from happening.

Mr I has argued that LV's failure to issue the notification means the cancellation was 'not validly executed'.

It's clearly not in dispute that LV should have sent the cancellation notice in a timely manner. And while its omission here is certainly poor customer service and could potentially breach its regulatory requirements, I don't think it needs to take any remedial action.

That's because during his calls with LV Mr I was clearly aware it was cancelling/it had cancelled the policy. For example he was asking questions about whether or not both he and his mum needed to declare the cancellation on future policy applications. He also asked for a quote for another policy. So I don't think he was under any misapprehension that the policy would not remain in force.

Also LV had told Mr I in writing that it couldn't continue to offer cover. Therefore, while it hadn't formally notified him that the policy had been cancelled, he plainly understood that this had happened. In those circumstances I don't believe that any procedural breach here, in LV's omission to send the cancellation notification in a reasonable time, undid its previous action. That is Mr I was aware that his policy was cancelled even if a system failure stopped Mr I from receiving the official notification of that.

It follows that, regardless that LV might have delayed in sending the appropriate cancellation notification, I don't think that means it invalidated its reasons for cancelling the policy or served to reinstate it. And, as I explain in more detail below, Mr I is not in a worse position now because LV didn't send the cancellation notification promptly.

Should LV have allowed Mr I to cancel the policy himself?

Mr I believes that if LV had issued the appropriate cancellation notice he could have taken action to cancel the policy himself before that cancellation took effect. So he thinks that LV's failure to issue the notice denied him that opportunity.

I need to say first of all that, consumers do not – as Mr I seems to believe – have, in every case, an automatic right or entitlement to cancel a policy in an attempt to avoid the insurer from doing so and stop the cancellation marker. And I note that during one of his phone calls with LV he asked if it would make a difference if he cancelled the policy himself. LV said that it had already made the decision to cancel it so that wouldn't help him.

I agree with LV's analysis. While consumers are entitled to cancel their policies, in this case I don't think that would have helped Mr I. I say that as if he had attempted to insist that he cancel that policy during the phone call referred to above then LV would have been entitled to backdate its own cancellation to the date Mr I changed the car on the policy. And the policy cancellation record would have been the same and had the same effect.

It follows that it's not the case, as Mr I believes, that LV's failure to send the cancellation notice denied him 'fair process' or a right to cancel the policy.

Transparency, honesty and premium quotes

Mr I said he'd been transparent and honest throughout. He said he hadn't tried to hide or misrepresent anything'. He said once LV asked him about the registered keeper – after making the claim – he told it the V5 was in his name and didn't try to cover this up.

On the other hand, it's evident from LV's letters to Mr I that it did not believe Mr I had been transparent and honest throughout.

I think it's worth noting that in December 2022 Mr I changed the car on the policy using his access to LV's online portal. When doing so he was asked if Mrs H was the registered keeper of the car. The help notes accompanying the question said:

"The registered keeper is the person or company named on the DVLA V5 document (the cars logbook) and is the legal keeper of the vehicle."

At that time Mr I confirmed Mrs H was the registered keeper of the car. But that wasn't right. In fact when he completed the V5 information and sent it to DVLA he said he – not Mrs H – was the car's registered keeper.

LV has explained that its underwriting criteria, which are the internal rules it follows when deciding whether or not to offer cover, don't allow it to insure cars when the registered keeper is not the main driver or their spouse. So if it had known when Mr I changed the car on the policy that he, rather than his mum, was its registered keeper then it wouldn't have continued to insure him. So the policy only remained in place because Mr I had not given it accurate information.

It's notable that, like most insurance policies, Mr I's policy stresses that he needed to answer all questions truthfully and to the best of his knowledge. But I don't think he did so here. He told LV that his mum was the car's registered keeper, but filled the V5 documentation in saying he was its registered keeper. Clearly both things can't be right.

Mr I told LV that he completed the V5 to say he was the registered keeper because his mum was away visiting relatives and he didn't have her licence details to hand. He said he'd intended to amend the V5 when she returned home but had forgotten to do so. He described this as a clerical error. But I don't find his explanation persuasive.

As I understand it there is no requirement to provide a registered keeper's licence details when completing a change of owned/keeper on a V5.

Further, even if Mr I thought he might need his mum's licence details (although I don't believe the V5 information asks for this) he could easily have obtained these by contacting her and asking her for them before filling in the V5. So I don't think Mr I answered LV's questions to the best of his knowledge – or transparently – when he changed the cars on the policy.

The policy says that if a policyholder fails to tell LV about changes to the details it holds then it may refuse a claim and cancel the policy. LV has relied on these terms when it's taken the action it has. And it's clear that it's done so because it believed Mr I's actions were intentional.

LV noted that Mr I initially disputed that it would not have insured him in the circumstances described. He said he believed it would have offered him the policy because he tried out

several different combinations of main driver and named driver, sometimes with himself as the main driver and other times with his mum. And that returned quotes with him as the main driver. LV said that this pattern of exploring different combinations of information presumably to find the best premium suggested intentional misrepresentation which would be classed as fraud.

In contrast Mr I told us that he was simply exploring combinations of main drivers, and other things, to understand policy pricing. He said this is entirely normal and that he did not buy any policy using inaccurate information. He said the final policy reflected the genuine situation. The car was shared with his mum who was the main driver.

I don't find Mr I's evidence here convincing. I don't think it is normal or standard behaviour for people to look for insurance quotes using information they know to be inaccurate. Who is to be the principal driver, that is the driver who will use the car most of the time, and who will be its registered keeper should be fairly easy to determine and should be matters of fact. And consumers are required to take reasonable care to answer an insurer's questions. So deliberately altering answers to see how they affect a premium – or as Mr I put it to 'understand pricing' – is not, as far as I'm aware, standard behaviour. Instead it indicates an attempt to misrepresent the facts in order to benefit from a more favourable premium.

Mr I told us that when he reported the theft he disclosed that the V5 was in his name, which he says demonstrates how open he was. I haven't listened to the call. But I don't need to. I don't doubt Mr I's evidence that, when claiming for the theft, he openly told LV that he was the registered keeper on the V5. But I don't think the fact he was open about that matter means that he didn't act intentionally when amending the car on the policy.

Also I think it's likely that Mr I would have known that who was named as the registered keeper was something that LV could easily verify. In fact it later sought that verification by asking for a copy of the V5. So I think Mr I would have known that he needed to be honest and transparent about the V5 details at the time he made the claim or that otherwise LV would most likely quickly learn that he had not been honest previously.

Further, I note that when telling us and LV about the effects of the cancellation, Mr I has only referred to the effects on him and not on Mrs H. And if Mrs H was the genuine main driver, which the policy describes as being the person who drives the car for most of the time, then I would have expected to see a description of how the policy cancellation had affected her. So, it seems unlikely that Mrs H was the main driver. And on balance, I'm satisfied that Mr I should have said that he was the main driver but didn't do so.

It follows that I think LV's actions in declining the claim and cancelling the policy were reasonable in the circumstances and were in line with the policy's terms and conditions. So I think it's reasonable that it maintains its record of the cancellation.

I understand the implications of the policy cancellation have had a detrimental affect on Mr I which he considers harsh. But it's notable that Mr I himself is no longer arguing that the cancellation or the refusal to pay his claim was unfair. Just that the effect on him is disproportionate. But, the delay in sending the cancellation notice aside, I don't think LV has done anything wrong. Mr I made a misrepresentation and in those circumstances LV was entitled to cancel his policy and record that cancellation appropriately. And I think it's done so fairly and reasonably.

My final decision

For the reasons given above I do not uphold this complaint

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs H and Mr I to accept or reject my decision before 2 July 2025.

Joe Scott
Ombudsman