DRN-5546434

The complaint

Mr T complained that Watford Insurance Company Europe Limited ("Watford") declined to provide a refund due when he changed his car, under his motor insurance policy.

What happened

Mr T's car was stolen. He made a claim to Watford under his policy which it accepted. He received a settlement payment for the market value of his car. Mr T said he bought a replacement car that he added to his policy. He was told that he was due a premium refund for £497 but was later told this would not be paid. Mr T didn't think this was fair and complained.

In its final complaint response Watford told Mr T that his policy doesn't provide a refund in these circumstances after a claim has been made. It said this was confirmed in its policy terms.

Mr T didn't think Watford had treated him fairly and referred the matter to our service. One of our investigator's looked into his complaint for him. But she didn't uphold it. She said Mr T's policy terms were clear that a premium refund wasn't applicable in these circumstances.

Mr T didn't accept our investigator's findings and asked for an ombudsman to consider his complaint.

It has 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.

Having done so I'm not upholding Mr T's complaint. I'm sorry to disappoint him but I'll explain why I think my decision is fair.

I've checked Mr T's policy terms and conditions to understand if a refund is payable in the circumstances described. The terms, on page 32, say:

"*If a claim is made and You have not paid in full, We may deduct the outstanding premium from any claim settlement We make to You. We will not refund premium for changes made to Your policy after a claim.*"

I think these terms are clearly worded. This is a common term used within the industry, which means a customer's full annual premium is payable in the event of a claim. We don't think this is unfair.

Mr T made a claim when his car was stolen. Watford paid him the market value of his car in line with his policy cover. Mr T then added a replacement car to his policy. This meant he was able to continue to benefit from the cover it provided. But the terms are clear that where a claim has been made, a refund premium won't be provided. So, regardless of whether the replacement car was cheaper to insure, Mr T wasn't due a premium refund.

In his submissions to our service Mr T says Watford hasn't complied with its duties under the Financial Conduct Authority's Consumer Duty (the duty) and the Insurance Code of Business Sourcebook. He hasn't pointed to what part of the duty Watford hasn't complied with. But I can't see that the business has acted contrary to the principles or duties required of it. Watford must act to deliver good outcomes, and act in the best interests of its customer. But I don't think Mr T has shown that by not providing a refund of his premium, in these circumstances, Watford has treated him unfairly. Mr T has benefitted from his policy by the settlement he received. His full annual premium is payable under the terms he agreed.

In summary I think Watford acted fairly and reasonably when it relied on its policy terms and declined to provide a premium refund to Mr T. As I don't think it did anything wrong, I can't fairly ask it to do any more.

My final decision

My final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr T to accept or reject my decision before 28 August 2025.

Mike Waldron
Ombudsman