

The complaint

Mr F complains that Watford Insurance Company Europe Limited declined a claim on his motor insurance policy.

What happened

Mr F made a claim on his policy after his car was stolen. Watford said the claim wasn't covered because the car had been unsecure, as he had left one of the keys inside the car, and there's an exclusion in the policy terms where a key is left in the car. Mr F said the key that he'd left in the car didn't work but Watford maintained its position.

When Mr F referred the complaint to this Service, our investigator said it wasn't fair to decline the claim if Watford couldn't show that leaving the key inside the car was material to the loss.

Watford didn't accept the investigator's view and requested an ombudsman's decision. It says:

- Mr F admitted leaving a key in the car and the policy terms are clear this means there is no cover.
- The car was found burnt out, so it wasn't possible to check the key or carry out any analysis.
- It's unlikely that a police report or engineer's report would have provided any further information that would have helped

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.

The policy provides cover for the theft of Mr F's car, but there's no cover for:

“Loss of or damage to Your Car or its Accessories, whilst Your Car is left unattended, arising from Theft or attempted Theft when:

- *the ignition keys have been left in or on Your Car...*”

I think this is clear and, if applied strictly, the claim would not be covered – Mr F accepts he left a key in the car. But, where an insurer is relying on an exclusion to decline a claim, the onus is on the insurer to demonstrate that it's fair to do so.

An exclusion like this is not unusual, but it is significant and I'd expect it to be set out in the Insurance Product Information Document (IPID). I haven't seen a copy of the IPID, so it's not clear if the term was sufficiently brought to Mr F's attention for LV to rely upon it.

Even if it was, I still need to consider whether it's fair to Watford to rely on this to decline the claim, taking into account relevant law and regulations, regulators' rules, guidance and standards.

Taking these into account, I'm not satisfied it is fair to decline the claim, for the following reasons:

- The relevant industry rules and guidance say insurers must deal with claims promptly and fairly, support a policyholder to make a claim, and not unreasonably reject a claim.
- It wouldn't be fair for an insurer to decline a claim simply because the policyholder is in breach of a policy condition, if they can show the breach could not have increased the risk of the loss.
- Applying that principle here, I need to be satisfied that the fact Mr F left a key in the car made it possible (or easier) for the thief to steal the car. The mere fact that Mr F left a key in the car doesn't mean it's fair to decline a claim, if that was of no relevance to the theft.
- Of course, there will be circumstances where leaving a key in a car is relevant to the theft. But in this case, Mr F left a spare key in the glovebox inside the car, which was locked. He's provided evidence showing the spare key didn't work. Watford hasn't shown how leaving that key inside the locked car led to the car being stolen. There's no evidence it was material to the theft taking place.
- I appreciate the car was found burnt out. But if a key that didn't work was inside the car, it's difficult to see how that made any difference to the theft. The thief wouldn't have used it to get into the car. Watford carried out very little investigation into the circumstances of the loss and hasn't given any explanation of how the presence of a non-working key inside a locked car was relevant to the car being stolen.

In the particular circumstances of this case, I don't think it was fair to decline the claim. So Watford should settle the claim, in line with the remaining policy terms.

It was distressing for Mr F to have his car stolen, and having the claim declined made this even more upsetting. He wasn't then in a position to replace the car. I agree Watford should compensate him for the additional distress and inconvenience caused.

My final decision

I uphold the complaint and direct Watford Insurance Company Europe Limited to:

- settle the claim in line with the remaining policy terms, together with interest from the date of the claim to the date of payment at 8% a year simple*.
- pay Mr F £300 compensation to recognise the distress and inconvenience caused.

* If Watford Insurance Company Europe Limited considers that it's required by HM Revenue & Customs to deduct income tax from that interest, it should tell Mr F how much it's taken off. It should also give Mr F a tax deduction certificate if he asks for one, so he can reclaim the tax from HM Revenue & Customs if appropriate.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr F to accept or reject my decision before 17 June 2025.

Peter Whiteley
Ombudsman