

The complaint

Miss H and Mr M complain that Watford Insurance Company Europe Limited unfairly cancelled their motor insurance policy and refused to settle a claim they'd made on the policy.

Reference to Watford includes its appointed claims handlers.

Miss H and Mr M bring this complaint jointly. But, for simplicity, where I refer to the actions or comments of Miss H below those refer to both her and Mr M.

What happened

Miss H insured her car with Watford. Mr M was a named driver on the policy. Miss H's car was damaged while parked. She claimed on her policy. Watford eventually declared it a total loss. Watford then told her it was refusing to settle the claim and cancelled her policy. It said Miss H hadn't told it about a previously cancelled policy. So it was cancelling her policy in line with its terms and conditions.

Miss H brought her complaint to the Financial Ombudsman Service. She told us she hadn't previously had a policy cancelled. One of our Investigators looked into it. He didn't think Watford needed to take any further action. Miss H didn't agree, so the matter's 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.

When buying a policy, the consumer is required to take reasonable care to answer an insurer's questions to the best of their knowledge. If the consumer doesn't do so, that's known in the insurance industry as a misrepresentation.

There's helpful legislation: the Consumer Insurance (Disclosure and Misrepresentations) Act 2012 (CIDRA) that sets out what insurers may do when a policyholder's made a misrepresentation. So I need to decide whether or not it was fair for Watford to say that Miss H had made a misrepresentation.

When Miss H was applying for her policy she was asked whether any driver on the policy had ever had a policy cancelled. Miss H answered "no". But, when Watford was looking into her claim, a third party provided evidence that another insurer had previously cancelled a policy. It also provided evidence of links between those insured on this policy and other cancelled policies. Watford's shown us that evidence but, as it's commercially sensitive, I can't share it with her. However, I'm satisfied that Watford's seen persuasive evidence of a policy cancellation. And I think Miss H should have been aware of that. So I don't think she took reasonable care to answer the policy cancellation question.

In order for an insurer to have a remedy under CIDRA, a misrepresentation must be regarded as 'qualifying'. That means the insurer would need to demonstrate that, but for the misrepresentation, it either would not have offered the 'contract' – otherwise known as the policy – at all, or would have done so on different terms.

In this case Watford's shown us evidence that if it was aware a driver had previously had a policy cancelled, then it wouldn't have offered to insure Miss H at all. In those circumstances CIDRA allows the insurer to refuse any claim and cancel the policy as if it hadn't existed (known as avoidance). In this case, in line with its policy's terms and conditions, Watford chose to cancel the policy and I think it did so fairly.

My final decision

For the reasons set out above I don't uphold this complaint

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss H and Mr M to accept or reject my decision before 5 September 2025.

Joe Scott
Ombudsman