

## **The complaint**

Miss L complains about the cancellation of her motor insurance policy by Watford Insurance Company Europe Limited (Watford). Her policy was cancelled (and her claim for the theft of her vehicle declined) because she hadn't declared that she wasn't the registered keeper and legal owner of the vehicle.

Any reference to Watford in this decision includes their agents.

## **What happened**

Miss L took out a motor insurance policy with Watford in July 2024. Unfortunately, in November 2024, the vehicle was stolen. She contacted Watford to tell them about the theft and make a claim. As part of their validation of the claim, Watford asked Miss L for copies of various documents, including the V5c Registration Document, as well as the vehicle key(s) and copies of the driving licence for her and any named drivers. Watford noted the policy recorded Miss L was the registered keeper and owner of the vehicle, but when she reported the theft, she said the vehicle was leased from a company (LA).

The following month Watford told Miss L they wouldn't be providing cover for the claim because at the time of the theft Miss L wasn't the registered owner or keeper of the vehicle and so had broken the terms and conditions of her policy. Watford also said they were cancelling her policy because she had failed to tell them she wasn't the registered owner and keeper of the vehicle when she took out the policy. So, under the terms of the Consumer Insurance (Disclosure and Representations) Act 2012 (CIDRA) Miss L had made a qualifying misrepresentation. Watford considered this was a reckless misrepresentation by Miss L.

Miss L said she had leased the vehicle under an agreement with LA and was required under the terms of the agreement to insure the vehicle comprehensively for its full value. As she had possession of the vehicle and drove it daily, she had assumed she was the registered keeper of the vehicle. While this may have been incorrect, she hadn't acted deliberately or recklessly in what she'd told Watford. All the other information she'd provided about the vehicle was correct, so she hadn't deliberately misrepresented the risk she presented to Watford in order to secure a reduced premium. Nor was her failure to disclose the interest of LA material to the loss (the theft). And the interest of the lease company was declared to Watford when she made her claim.

Unhappy at the decline of her claim and cancellation of her policy, Miss L complained.

In their final response, issued in late December 2024, Watford didn't uphold the complaint. They referred to the question Miss L was asked (through a comparison website) when she took out the policy about whether she was (or will be) the registered keeper and legal owner of the vehicle, to which she answered 'yes'. Based on this answer, Watford provided a quote which Miss L accepted and purchased the policy. On purchasing the policy, Miss L was provided with policy documentation that she was asked to check that it was correct. Watford said they would only provide a quotation (and cover) where the policyholder (or their spouse)

was the registered keeper of the vehicle. Had Miss L [correctly] disclosed the registered keeper was LA, they wouldn't have provided a quote and issued a policy to Miss L.

While Miss L had said her error would not have increased the risk she presented to Watford, they said they wouldn't have accepted the risk presented by Miss L [not being the registered keeper]. While other insurers may have provided a quote in the circumstances presented by Miss L, this wasn't relevant as Watford wouldn't have provided a quote at all. Watford also noted only a specific lease agreement meant the vehicle would become Miss L's at the end of the lease, subject to her making a final, larger payment. Watford considered the misrepresentation by Miss L to be reckless, even if not deliberate, as she hadn't taken the care to read the question asked on the comparison website and checked the proposal form issued with the policy documentation. Under CIDRA, Watford were entitled to decline the claim and retain the policy premium, as well as cancel the policy.

Miss L then complained to this Service, unhappy at Watford's cancellation of her policy and decline of her claim. She hadn't sought to conceal the interest of the lease company in the vehicle and wasn't given any warning or opportunity to correct the error before the cancellation. She didn't think her not being the registered keeper of the vehicle was material to the loss of the vehicle, saying the theft would have occurred irrespective of whether she, or the lease company, was the registered owner and keeper of the vehicle. She hadn't acted deliberately or recklessly. Watford's website also indicated they would insure a leased vehicle, which contradicted their cancelling the policy.

She lost out financially from not having her vehicle covered and was left without a vehicle and transport. Her policy being cancelled had also affected her insurance record, which would affect her ability to secure insurance in the future, as well as losing her No Claims Bonus (NCB). The episode had also been very stressful for her. She wanted Watford to accept her claim and remove (or clarify) the record of her policy cancellation, in addition to compensation for the financial and emotional impact of what happened.

Our investigator upheld the complaint, concluding Watford hadn't acted fairly. She thought Miss L had made a misrepresentation, as the vehicle was owned by LA as the lease company. As Watford had provided evidence, from their underwriting criteria, they wouldn't have provided cover had they known the vehicle was leased from LA, the investigator concluded it was reasonable for Watford to treat the misrepresentation as a qualifying one under CIDRA. However, she didn't agree the misrepresentation was deliberate or reckless. The vehicle was kept at Miss L's property, so it was reasonable to believe she was the registered keeper and she'd leased the vehicle for around three years at the time of the theft. Miss L had also answered similar questions about the vehicle's legal owner and keeper in applications for previous policies without an issue, so didn't realise her response (to Watford) was incorrect. So, the investigator concluded Miss L had made a careless misrepresentation when taking out the policy – not a deliberate or reckless one – due to a misunderstanding of the lease agreement.

So, while it was reasonable for Watford to cancel the policy and decline the claim, the investigator concluded Watford should have treated the misrepresentation as careless. So, they should have refunded the policy premiums. To put things right, Watford should refund the premiums, together with interest from the date it should have refunded the premiums had they treated the misrepresentation as careless.

Watford disagreed with the investigator's view and requested that an ombudsman review the complaint. They didn't accept Miss L could reasonably have thought she was the legal owner and registered keeper of the vehicle, so the misrepresentation wasn't simply careless. Nor did they accept Miss L had simply misunderstood the terms of the lease agreement and she had no reason to believe she had paid to purchase the vehicle in full, but only paying for it

monthly. So, she had no reasonable basis to think she was ever the legal owner. So, she should have answered 'No' to the question she was asked when taking out the policy. Nor was it reasonable for her to think she was the registered keeper, nor did she check whether this was the case (by reference to the Vehicle Registration Document) as an explanation to the question asked prompted her to do. So, that was reckless. The misrepresentation could not be careless. That she had answered the question in the same way for previous policies only showed she had been reckless in previous years.

Miss L responded to the investigator's view to say at the time she took out the policy a close relative was critically ill in hospital after emergency surgery, which she said affected her incorrect answer to the registered keeper and legal owner question. So, she made an unfortunate and unknown mistake, not a deliberate or reckless act.

### **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.

My role here is to decide whether Watford have acted fairly towards Miss L.

The key issues in Miss L's complaint are the decline of her claim for the theft of her vehicle and the associated cancellation of her policy. Miss L says she made a mistake in saying she was the registered keeper and legal owner of the vehicle she was leasing from LA at the time of the theft. But she doesn't accept she made a deliberate or reckless misrepresentation when answering the question about whether she was the registered keeper and legal owner.

Watford maintain she should reasonably have known she was neither the registered keeper or legal owner of the vehicle, so she made a deliberate, if not reckless misrepresentation under CIDRA. This meant they were able to decline her claim and cancel the policy, as they wouldn't have offered the policy under their underwriting criteria had they known she was leasing the vehicle from LA. Treating the misrepresentation as deliberate or reckless also meant they were entitled to retain the policy premiums.

On the decline of Miss L's claim and cancellation of her policy, the key is how Miss L answered the relevant question when taking out the policy through the comparison website. The question asked was:

*"Are you (or will you be) the registered keeper and legal owner?"*

To which Miss L answered 'yes'. Watford, in their final response, also point to the 'help' facility linked to the question, which says that if the consumer is unsure, the log book will record the car's registered keeper, which is not necessarily the same as its legal owner.

Miss L answered 'yes' to the question, based on her having the vehicle under a lease from LA, which appears to have begun before she sought the quote and took out her policy with Watford. However, while I haven't seen the vehicle Registration Document (V5c), the nature and terms of the lease agreement with LA are that she was making monthly payments for the vehicle. Looking at the copy of the agreement provided by Miss L with her complaint to this Service, there appears to be no provision for her to own the vehicle at any point, including at the end to the lease term, for example as would be the case through payment of a final sum (which is a feature of other agreements, such as Personal Contract Purchase (PCP)).

Taken with what Miss L herself accepts was a mistake in her understanding of the lease agreement (for example the vehicle was kept at her address) I've concluded she answered the question incorrectly. As such, she made a misrepresentation when taking out the policy.

But having answered the question incorrectly at the point of taking out the policy, I think it reasonable to conclude she wouldn't have then changed the answer then she received the policy documents (as Watford said she had the opportunity to do after taking out the policy).

Having concluded she made a misrepresentation, I've then considered whether, under CIDRA, the misrepresentation was a qualifying one. Watford have provided details of their underwriting criteria that show they wouldn't have offered the policy had they known about the lease agreement covering the vehicle with LA. Although my reading of the criteria is that Watford would decline where the registered keeper was vehicle leasing – though the equivalent for the issue of legal ownership in the case of vehicle leasing doesn't specify decline. This is consistent with what Watfors say in their final response, which is that they would only provide a quote where the policyholder (or spouse) was the registered keeper of the vehicle. Which suggests registered keeper is a more restrictive criteria than legal ownership. As they wouldn't have offered the policy only on different terms – or, in this case, at all – then I've concluded the misrepresentation was a qualifying one under CIDRA.

That being the case, then having concluded the misrepresentation was a qualifying one, the terms of CIDRA (and the policy) provide for Watford to decline any claims brought under the policy and to cancel the policy, which is what they did in this case. So, I've concluded Watford acted fairly and reasonably in declining Miss L's claim and cancelling her policy (avoiding it).

However, the key point of disagreement in this case is whether Watford acted fairly and reasonably in deeming the misrepresentation to be either deliberate or reckless (as opposed to careless). While all three alternatives would enable them to decline the claim and cancel (avoid) the policy, the remedy in terms of whether they acted fairly and reasonably in retaining the policy premium (Miss L paid for the policy upfront from what I've seen). Deeming the misrepresentation to be deliberate or reckless would entitle them – as happened here – to retain the premium. Whereas, had the misrepresentation been deemed careless, they would have had to refund the premium on cancelling the policy.

In considering this question, I've looked carefully at the evidence and information available, including the respective arguments made by Miss L and by Watford. Having done so, I've concluded Watford acted unfairly in deeming the misrepresentation to be deliberate or reckless. I'll set out why I've come to that conclusion.

Miss L maintains it was a genuine misunderstanding on her part of the lease agreement, given she'd been using the vehicle for some time and kept it at her property. Which may have led her to believe she was the registered keeper (if not the legal owner). She also says she was required to take out comprehensive insurance for the vehicle as a condition of the lease agreement (had she not thought that was the case, I don't think she would have been seeking insurance for the vehicle). She'd taken out insurance previously (perhaps elsewhere) having answered the same (or similar) answer to the question about the vehicle's registered keeper and legal owner. And there hadn't previously been an issue (Watford say she had simply made the same misrepresentation previously).

While there may previously not been an issue, that may have been because Miss L hadn't had to make a claim (Watford didn't identify the issue until the theft of Miss L's vehicle, which I presume they did as part of their claim validation checks, which would have included Miss L providing the Vehicle Registration Document if not her telling them the vehicle was leased). And had Miss L knowingly made the misrepresentation, deliberately or recklessly, she would have likely known any claim she made would be declined and the policy cancelled.

So, on balance, taking all these factors into account, including the specific points made by Watford in response to our investigator's view, I'm not persuaded Watford have done enough to show Miss L's misrepresentation was deliberate or reckless, rather than careless. It follows that Watford acted unfairly and unreasonably in treating the misrepresentation as deliberate or reckless, thereby keeping the policy premium when they declined the claim and cancelled the policy.

To put things right, Watford should refund Miss L the premium for the policy, calculated as if they had deemed the misrepresentation to be careless. They should also pay interest, at a rate of 8% simple, from the date they should have deemed the misrepresentation careless until the date they refund the premium.

### **My final decision**

For the reasons set out above, my final decision is that I uphold Miss L's complaint. I require Watford Insurance Company Europe Limited to:

- Refund Miss L the premium for the policy, calculated as if they had deemed her misrepresentation to be careless.
- Pay interest, at a rate of 8% simple, from the date they should have deemed the misrepresentation careless until the date they refund the premium.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss L to accept or reject my decision before 1 December 2025.

Paul King  
**Ombudsman**