

The complaint

Mr H complains that Alwyn Insurance Company Limited unfairly declined a claim and cancelled his motor insurance policy.

Mr H's policy was sold and is administered by a third-party company on Alwyn's behalf and his correspondence has been with this company. However, Alwyn is the policy underwriter so his complaint is against Alwyn. Any reference to Alwyn in my decision includes the policy administrator.

The policy is in Mr H's sole name, but Ms A – a named driver on the policy – has provided most of the information to us. For simplicity, I'll refer only to Mr H in my decision.

What happened

Mr H had a motor insurance policy underwritten by Alwyn, originally taken out in February 2024 via a comparison website. In November 2024 he was involved in a road accident and made a claim on the policy.

During its investigation of the claim, Alwyn discovered that Mr H's car was imported. It told him it wouldn't have insured the car if it had known this. It cancelled the policy, declined the claim, and retained his premiums (in lieu of the third-party claim against him).

Mr H says he disclosed all relevant information when he took out the policy. He wants Alwyn to settle the claim. He brought his complaint to this service.

Our investigator recommended that the complaint should be upheld. He was satisfied that Alwyn was entitled to avoid the policy and decline the claim. However, he found that Alwyn should refund Mr H's premiums, in line with the relevant law.

Neither party accepted this, so the complaint was passed to me to make a final decision.

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.

Alwyn said it avoided Mr H's policy because he failed to disclose that his car was imported. I have to decide if that was fair.

The relevant law here is The Consumer Insurance (Disclosure and Misrepresentation) Act 2012 (CIDRA). This requires consumers to take reasonable care not to make a misrepresentation when they take out an insurance policy. The standard of care is that of a reasonable consumer.

If a consumer fails to do this, the insurer has certain remedies provided the misrepresentation is what CIDRA describes as a qualifying misrepresentation. For it to be a qualifying misrepresentation the insurer has to show it either wouldn't have offered the policy

or would have offered it on different terms if the consumer hadn't made the misrepresentation.

CIDRA sets out a number of considerations for deciding whether the consumer failed to take reasonable care. One of these is how clear and specific the insurer's questions were. And the remedy available to the insurer under CIDRA depends on whether the qualifying misrepresentation was deliberate or reckless or careless.

In this case, Mr H took out the policy via a comparison website. Alwyn thinks Mr H failed to take reasonable care not to make a misrepresentation when he said his car wasn't imported.

I've looked at the questions Mr H was asked when he completed the application. The first step in the process is to enter the car's registration. That automatically populates five fields. The website prompts the customer to confirm whether these five fields are correct. One field says: "*This car is not imported.*" If the customer answers 'No' – that the details aren't imported – they're asked for more information. The import question includes the following explanation: "*If the car was made to be sold in a country outside of the UK and was then imported to the UK, it's classed as an import.*"

I think this question is clear. Both parties accept that the car was sold overseas, imported to the UK, and registered in the UK in June 2022. In the circumstances, I think Mr H failed to take reasonable care not to make a misrepresentation when he confirmed the car wasn't imported.

Alwyn can only take action if it can show the misrepresentation was a qualifying one. It sent us part of its underwriting guidance which shows it wouldn't have offered cover for an imported car. This means I'm satisfied Mr H's misrepresentation was a qualifying one under CIDRA.

I don't think Mr H deliberately set out to mislead Alwyn. He's been open and honest with us throughout, and he immediately disclosed his car was imported when Alwyn investigated his claim. I think it was likely a genuine mistake. So I think Mr H's misrepresentation was a careless one, rather than deliberate or reckless. But it still means that, under CIDRA, Alwyn was entitled to avoid Mr H's policy.

Mr H made several arguments why he believes this is unfair. I've summarised and replied to them below:

- He says Alwyn had a duty to carry out due diligence during the underwriting stage and the car's import status was readily discoverable.

This was a non-advised sale through a comparison website. As I've set out above, the onus is on the customer to take reasonable care when they answer questions at the point of sale.

- The dropdown menu for the car's origin on the comparison website gives only four options, and doesn't include the country from where he imported his car.

I think that's a fair point. However, Mr H didn't investigate this further at the time or ask how he might answer this question. He simply answered 'Yes' to the question asking him to confirm his car wasn't imported. That was wrong.

- He notes the "*industry-wide implications*" of Alwyn's actions and our decision. He also notes this Service's statutory role to "*deliver justice [and] uphold market integrity*", and our public duty to ensure firms treat customers fairly and comply with standards of commercial fairness.

I think Mr H has slightly misunderstood our role. These issues are primarily for the UK's financial regulator, the Financial Conduct Authority (FCA). Mr H should, if he wishes, raise these directly with the FCA. Our role is only to look at what happened in the circumstances of his complaint and decide if Alwyn acted fairly and reasonably. As I've explained, I think its actions were in line with CIDRA and were reasonable.

Alwyn has argued that it should be allowed to retain at least some of Mr H's premiums to cover part of its liabilities. I understand its position but CIDRA is clear. Where the misrepresentation has been careless, as in this case, the insurer must refund the customer premiums. I'm satisfied that Alwyn should refund Mr H's premiums in full.

My final decision

My final decision is that I uphold the complaint in part and order Alwyn Insurance Company Limited to refund Mr H's premiums. I make no other order or award.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms A and Mr H to accept or reject my decision before 12 September 2025.

Simon Begley
Ombudsman