

The complaint

Mr K complains that Liverpool Victoria Insurance Company Limited (LV) cancelled his motor insurance policy and recorded cancellation and fraud markers against his name. He wants these removed.

What happened

Mr K said he took out a policy through a broker recommended by a friend. He said the broker used incorrect information about him to set up a policy with LV. LV then cancelled the policy, retained the deposit Mr K had paid and recorded this on external databases. LV said the policy had been set up fraudulently involving an unauthorised broker. Mr K said this was affecting his ability to buy affordable insurance. He said the matter had caused him considerable trouble and upset.

Our Investigator didn't recommend that the complaint should be upheld. She thought LV was entitled by the policy's terms and conditions to cancel the policy with seven days' notice and retain the premium already paid if the policy had been obtained fraudulently or through misrepresentation. She thought LV had reasonably concluded that Mr K had obtained his policy through a "ghost broker" and incorrect personal details had been used. She thought LV had given Mr K opportunity to contact it prior to the cancellation. And she thought LV needn't pay Mr K any refund.

Mr K replied asking for an Ombudsman's review, so his complaint has come to me for a final decision. He said he hadn't received any policy documents through the ghost broker and so couldn't check their accuracy. He later found that incorrect information had been used. He said LV hadn't called him or given him enough opportunity to challenge its decision. He said he'd contacted LV as soon as his suspicions were aroused. He thought the fraud marker against him was unfair as he was the victim of the ghost broker.

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.

Mr K has described the impact of the fraud marker on him. And I was sorry to hear about the financial consequences and the emotional distress this matter has caused him. Mr K said he was the victim, and he considers LV's response to be unfair and disproportionate.

LV said it had cancelled Mr K's policy because it had been set up fraudulently by an unauthorised broker. Ghost brokers are unregulated, and we are unable to look into complaints against them or their actions.

Our approach in cases like this is to consider whether the insurer's acted in line with the terms and conditions of the policy and fairly and reasonably. LV relied on the cancellation rights set out in the General Conditions of its policy on page 12 of the policy booklet:

"We'll cancel your insurance by giving you 7 days' notice if:

- we find any misrepresentation or any attempt to gain an advantage under this policy to which you're not entitled, please see section 4 of general conditions*

- *we find you or anyone covered under this policy is involved in, or associated with, fraud and/or financial crime*
- *you or anyone else insured hasn't met the terms and conditions in this document including those on your personal details"*

And on page 11, LV sets out its actions under fraud:

"Where fraud is identified, we'll also:

- *not return any premium paid by you*
- *recover from you any costs you've caused us to pay*
- *pass details to fraud prevention and law enforcement agencies whose members may access and use this information. Other insurers may also see this information"*

If an insurer discovers a consumer has taken a policy through a ghost broker and knew or should have done, we normally think it is reasonable for them to put an appropriate fraud marker against them on whatever fraud databases they use.

Recording a cancellation and placing a fraud marker on a consumer's record can have a serious effect on their ability to obtain insurance in the future and can affect the premiums they pay.

So we'd expect an insurer to carry out a thorough investigation to establish if the consumer knew or should have known they'd used a ghost broker. A consumer should have known or at least realised something wasn't right and checked if the information on the documents they received didn't have the correct details on them. If the consumer knew or should have known, we'd consider it fair for the insurer to cancel the policy in accordance with the policy terms.

Mr K has described how he took out his policy with LV. He was passed details of a broker by a friend, and Mr K arranged for a policy to be set up using online chat. The broker sent Mr K a list of questions which he answered correctly. The broker sent Mr K a Certificate of Insurance but no further documents so that Mr K could check that his policy was set up accurately. And Mr K sent the broker his fee and paid a deposit by bank transfer.

LV said the broker had misrepresented Mr K's occupation and his years of No Claims Bonus (NCB) in order to obtain the policy. And I can see that the details on the policy were different to those provided by Mr K. And Mr K accepted that his personal details had been misrepresented in order to obtain a cheaper policy.

Mr K said he didn't know he was using a ghost broker. I can see in the messages Mr K sent to this person when LV cancelled his policy that he wanted an explanation from him. And I think Mr K didn't then know the broker had misrepresented his details.

But I've looked at LV's investigation into whether he should have known this. I can't see evidence that Mr K verified the broker's legitimacy. There were no company details on his messages. He didn't use a website. Their contacts were by online chat long outside of usual office hours. The payment Mr K made for the broker's fee was through bank transfer to an individual with an unrelated reference. And the quote for the policy was much lower than those Mr K had previously found. I think it was reasonable for LV to consider that this should have alerted Mr K that something fishy was going on.

Mr K said he didn't receive any policy documents and so he couldn't check their accuracy. But Mr K received the policy Certificate from the broker. And this referred him to the policy's full details in its terms and conditions, his personal details and its cover and limits. I think it would be reasonable for Mr K to ask for these to read and check them. But unfortunately, he didn't do so within the four months that the policy was "live". And so Mr K didn't take this opportunity to check that his details were accurate.

And so I think Mr K should have reasonably known that he was using an unauthorised broker to acquire a policy from LV. And so I think it was fair and reasonable for LV to cancel the policy, retain the premium and apply a fraud marker in keeping with its terms and conditions.

Mr K said LV hadn't contacted him to give him opportunity to challenge its decision. LV said it tried to call Mr K but the phone number provided was invalid. And so it wrote to him giving him seven days' notice of the cancellation. I think this was in keeping with the policy's terms and conditions. But Mr K didn't contact LV until the day the policy was cancelled. And, looking at the later correspondence, I don't think that LV would have been persuaded to change its decision in any case if he had called it sooner.

My final decision

For the reasons given above, my final decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr K to accept or reject my decision before 27 October 2025.

Phillip Berechree
Ombudsman