

The complaint

Miss S and Mr S complain that Watford Insurance Company Europe Limited (Watford) cancelled their motor insurance policy and placed a fraud marker against Miss S's name following a disputed transaction which Miss S says she didn't raise.

For ease of reading, I will refer to Miss S throughout.

Reference to Watford includes its agents.

What happened

Miss S took out a motor insurance policy with Watford via an intermediary who I'll refer to as V. Miss S's policy with Watford was for the period of July 2024 - July 2025.

In November 2024 Miss S made an adjustment to her motor insurance policy. Miss S was charged a £50 administration fee and she paid this using a credit card issued to her by her bank - who I'll refer to as B.

Miss S subsequently received confirmation from Watford that her motor insurance policy had been cancelled due to fraud. Watford said Miss S had raised a disputed payment with B in respect of the £50 administration fee when Miss S knew this was a legitimate payment. A disputed transaction is known as a "chargeback and is the process by which a cardholder, Miss S in this case, can ask her card scheme to reclaim money where there's a dispute. Miss S however disputes she raised a chargeback, so she made a complaint to Watford.

In response Watford said disputing a legitimate payment was fraud and it was therefore entitled to exercise its right to cancel Miss S's policy in accordance with its terms and conditions. But, Watford said should Miss S provide evidence that she didn't raise a chargeback and it was an error by her account provider, it would consider the evidence.

Dissatisfied Miss S brought her complaint to this Service.

I issued a provisional decision in September 2025. I said;-

"Firstly, I'd like to acknowledge Miss S's strength of feeling on this matter and the impact she says it's had on her.

Timeline of disputed transaction/chargeback

At this point I think it would be helpful to provide a timeline of events between Miss S and Watford.

- In July 2024 Miss S took out a motor insurance policy with Watford via V.*
- In November 2024 Miss S requested an adjustment to her motor insurance policy to include business use. From the available evidence I understand Miss S says she's a carer and required the use of her vehicle for work purposes as she says she travels to people's homes to provide care.*

- Miss S was required to pay an administration fee of £50 in respect of the adjustment to her motor insurance policy.
- Miss S paid the £50 administration fee using her credit card provided by B and this sum was acknowledged by V within correspondence to Miss S on 1 November 2024.
- On 13 November 2024 Miss S is contacted by email advising her motor insurance policy is cancelled with immediate effect due to fraud.
- On 13 November 2024 Miss S makes a complaint advising she's been advised her motor insurance policy has been cancelled due to fraud but this was the first she'd heard of it. Miss S raises if someone had been in contact with her then she could have checked with her bank and made an alternative payment to resolve the situation.
- Within Miss S's email of 13 November 2024 she says she'd checked her bank statement which says paid but then when she looked further it said disputed which she said she didn't understand because there were funds on her card. Miss S highlighted she had not been notified of the situation by either her bank or Watford, leaving her in a very bad situation.
- On 14 November 2024 Miss S said she spoke with B and why the payment has been disputed. Miss S said B says it's not sure what has happened but have credited her back £50. Miss S said she'd asked for a letter from B to confirm she had no part in the disputed transaction and she hopes the matter will be rectified and her policy reinstated as she's not in a financial position to renew a policy and is unable to work.
- On 14 November 2024 – V provides Miss S with a cancellation breakdown confirming Miss S's motor insurance policy was cancelled as of 13 November 2024 and a refund of £206.95 would be refunded to the card used to pay for the policy/deposit.
- On 14 November 2024 Miss S is advised her complaint isn't upheld as Watford was entitled to exercise its right to cancel her policy due to a chargeback and the cancellation would stand. But if evidence was provided that Miss S didn't do this and it was an error by her account provider, Watford would consider the same.

I'll therefore now go on to consider Miss S's policy terms and conditions.

Policy Terms and Conditions

At page four of the policy terms and conditions it says;-

"Cancellation Rights

We have the right to cancel Your Policy at any time by giving you 7 days' notice in writing. We will send a cancellation letter to the latest address We have for You and will set out the reason for cancellation in the letter. We will not cancel Your Policy without a valid reason for doing so.

We may also cancel this policy with immediate effect and without refunding Your premium if You:

- *Do not keep to the Terms and Conditions of this Policy.*
- *Make or try to make a fraudulent claim under this Policy or where We reasonably suspect fraud...* "

Greater detail in respect of Watford's cancellation rights is set out at Section 17 of the policy's terms and conditions which I've considered in detail.

It says exceptional or valid reasons for Watford to cancel a policy "may include but are not limited to;-

• Where we have been unable to collect a premium payment. In this case we will contact You requesting payment. If We do not receive payment we will write to You notifying a period for payment, after which we may cancel Your Policy. If we have not received Your payment by the end of the period notified to You, We will issue a letter confirming We have cancelled Your Policy.”

And further that;-

“...We have the right to cancel Your Policy immediately, at any time during the Period of Insurance, where there is evidence of fraud or a valid reason for doing so. We will still send Our cancellation letter to the latest postal or email address We have for You and will set out the reason for cancellation in Our letter. Valid reasons allowing Us to immediately cancel may include but are not limited to...

c)...Where We have evidence of fraud or dishonesty...

f)...Not having paid or agreeing to pay the premium...”

At the bottom of Section 17 there is a note in bold which says;-

“If We cancel Your cover as a result of points...or c) directly above, We will not return any premium You have paid.”

I appreciate that Watford says it's reason for cancelling Miss S's policy is because disputing a valid payment by way of a chargeback is a fraudulent activity. But from my consideration of the policy terms and conditions there is no specific reference to classification of a chargeback as fraud.

Ultimately Watford has the option to cancel the policy and that doesn't mean it must do this; it has a discretion whether to do so and when exercising discretion on something like this Watford should act reasonably and treat Miss S fairly.

Was it fair to cancel the policy in the circumstances?

Having considered the available evidence, I don't think it was fair of Watford to cancel Miss S's policy based on the circumstances. The policy terms and conditions set out what action Watford can take where it has been unable to collect a premium payment. Although in this case Miss S's payment was for an administrative fee after an adjustment to her policy, I think it would've been reasonable for Watford to have first contacted Miss S to advise of the notification of a chargeback it had received and to ascertain whether Miss S had done this or if this was an error by B.

Given the timeframe in which Miss S made the initial payment of £50, for this to have then been refunded to her by 14 November 2024 it appears Watford had accepted the chargeback, which in itself appears at odds with Watford's position that the payment was legitimately taken. I find Watford should've allowed Miss S a reasonable opportunity to rectify the position i.e. pay the £50 administration fee within a reasonable time, failing which if Watford didn't receive the payment, it would provide Miss S at least seven days' notice that her policy would be cancelled. And this is in line with the provisions set out under Section 17 of the policy terms and conditions as referenced above.

Having considered Miss S's response to Watford's notification of the cancellation she says she had received no prior communication from Watford that the policy was to be cancelled, and she had not made the chargeback. I appreciate Miss S has been liaising with B regarding the chargeback. But as B isn't a party to this complaint, I don't intend to make any

finding regarding the chargeback itself.

Additionally, the policy terms and conditions state where a policy is cancelled immediately where there is evidence of fraud or dishonesty, Watford won't return any premiums paid. From the available evidence I've seen Miss S was refunded by Watford the sum of £206.95. Therefore Watford's actions towards Miss S are at odds with its policy terms and conditions and its basis for cancelling her policy because of fraud and adding the fraud marker. Clearly by refunding Miss S the £206.95 Watford were accepting that Miss S hadn't been fraudulent.

Taking everything into account I appreciate Miss S hasn't provided further information from B in support of her position she didn't raise the chargeback, however based on Watford's own handling of the matter I find it didn't treat Miss S fairly or reasonably when cancelling her motor insurance policy. Watford should've contacted Miss S and allowed her the opportunity to rectify the position and pay the £50 within a reasonable time, failing which it would then cancel her policy. And I note from the available evidence Miss S says the cancellation of her policy has had a detrimental effect on her as she requires a car for work purposes.

Putting things right

To put things right Watford Insurance Company Europe Limited should:-

- Make the necessary arrangements to remove the record of cancellation of Miss S's policy and fraud markers from any internal or external databases where they have been recorded.*
- Provide a letter to Miss S confirming the removal of the cancellation and fraud markers – Miss S can then provide this to any current or future insurer”.*

Miss S didn't respond to the provisional decision. Watford said it didn't agree and raised the following points; -

1. Although the policy wording is clear and allows the Underwriter to retain the premium when a policy is cancelled due to fraud, Watford says it doesn't do this. The premium is refunded on cancellation, just as any other cancellation. Watford says it therefore can't be argued because the underwriter refunded the premium, it accepted it wasn't fraudulent. Watford says it's not the case, but the underwriter can do both.
2. Although B aren't a party to the complaint, Miss S hasn't provided confirmation she didn't make the chargeback and there's been no resolution with B.
3. Making a chargeback, where someone says that a payment was collected fraudulently and so they want the money back, is fraud if the payment was actually collected legitimately. Watford says the person has deliberately lied to their account provider for financial gain. As such, where the policy wording says fraud it's not necessary for it to also include any more specific reference to a chargeback. The term 'fraud' covers this fully.
4. Where there has been fraud it is important that the Underwriter cancels the policy as soon as possible. While it remains live, the Underwriter is on cover and is potentially open to a claim despite not having received all the necessary funds. Trying to collect payment, which involves contacting the policyholder and giving them a period within which they must pay, say 7 days, and giving notice of cancellation if they do not, another 7 days, leaves the Underwriter open to claim for up to a further 2 weeks. Which Watford says isn't acceptable.
5. The record of cancellation shouldn't be removed from the shared insurance

database.

The matter has therefore been passed back to me for 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.

I understand Watford feels strongly regarding this matter and has provided a detailed response to the provisional decision.

I've considered the points made by Watford. Although I don't intend to address every point contained within Watford's response this isn't to say I haven't considered them. However, I see no reason to reach a different conclusion to the one reached in my provisional decision. I'll explain why.

Contained at Section 17 of Watford's policy terms and conditions it specifies that Watford may cancel a policy if it has been unable to collect a premium payment. But contained within the provision it does state;-

"In this case we will contact You requesting payment. If We do not receive payment we will write to You notifying a period for payment, after which we may cancel Your Policy. If we have not received Your payment by the end of the period notified to You, We will issue a letter confirming We have cancelled Your Policy."

I appreciate this matter concerns a £50 administration fee and not a premium payment. However, Watford in its response to the provisional decision has said: -

"Trying to collect payment, which involves contacting the policyholder and giving them a period within which they must pay, say 7 days, and giving notice of cancellation if they do not, another 7 days, leaves the Underwriter open to claim for up to a further 2 weeks. Which is not acceptable".

The wording I've referred to above is as it's set out within Section 17 of Watford's policy terms and conditions. I find that this wording does allow Watford to take such steps (i.e. requesting payment and notifying a period of payment) as reasonable. I appreciate Watford has said that a chargeback of a legitimate payment is fraud and it's important it cancels the policy as soon as possible, but from the available evidence I've seen, there's no evidence of any contact or enquiries being made with Miss S when the chargeback initially arose. And it remains unclear why Watford didn't defend the chargeback.

It appears from the available evidence Watford immediately decided to cancel Miss S's policy and didn't liaise with her, to allow her the opportunity to take any action to explain and/or rectify the situation. And given that the amount in dispute was a £50 administration fee, I find the action taken by Watford was disproportionate given the impact this was likely to have on Miss S going forwards.

I therefore remain of the opinion that based on Watford's own handling of the matter it didn't treat Miss S fairly or reasonably when cancelling her motor insurance policy. Watford should've contacted Miss S and allowed her a reasonable opportunity to rectify the position before cancelling her policy i.e. pay the £50 administration fee within a reasonable time, failing which if Watford didn't receive the payment, it would provide Miss S at least seven days' notice that her policy would be cancelled. This I find would have been reasonable and is in line with Watford's own policy terms and conditions.

Putting things right

To put things right Watford Insurance Company Europe Limited should:-

- Make the necessary arrangements to remove the record of cancellation of Miss S's policy and fraud markers from any internal or external databases where they have been recorded.
- Provide a letter to Miss S confirming the removal of the cancellation and fraud markers – Miss S can then provide this to any current or future insurer”.

My final decision

My final decision is that Watford Insurance Company Europe Limited should put things right as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss S and Mr S to accept or reject my decision before 28 October 2025.

Lorna Ball
Ombudsman