

The complaint

Mr P complains Watford Insurance Company Limited has unfairly avoided his policy, and so declined a claim he made on his commercial home insurance policy.

Mr P has been represented at points during this complaint, but for ease I've referred to all comments and actions as being those of Mr P.

What happened

Mr P took out a landlord insurance policy with Watford in January 2024. In November 2024, there was a fire at the property. Mr P made a claim for the resultant damage but in March 2025 Watford said it would be avoiding the policy (treating it as though it never existed) because Mr P had made a misrepresentation, in relation to the tenancy agreement, when taking the policy out.

Mr P complained about Watford's decision and a complaint final response letter (FRL) was issued in May 2025. Watford didn't agree to change its position on the complaint, and so Mr P referred the matter to the Financial Ombudsman Service for an independent review. He said he believed he'd answered the questions honestly and reasonably based on his understanding at the time. He said the insurer had failed to consider the context or apply a proportionate remedy under the Consumer Insurance (Disclosure and Representation) Act (CIDRA) 2012.

Our Investigator didn't recommend the complaint be upheld. He said under the Insurance Act 2015 (which he was satisfied applied to this complaint, since Mr P was a landlord with multiple let properties) he was satisfied Mr P had breached his duty to give a fair presentation of the risk. He was satisfied that had a fair presentation been given, Watford would not have offered the policy.

Mr P asked for an Ombudsman to consider matters. He said he had been misconstrued as a sophisticated landlord and should be treated as a consumer for the purpose of the law around misrepresentation. He said the question asked by Watford had been unclear, and didn't cover the tenancy arrangement he'd found himself in.

As the matter hasn't been resolved, it has come 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.

The crux of the matter is whether it was fair for Watford to avoid the policy on the basis there was a misrepresentation, thereby declining the claim. It seems to me that when reviewing the claim and complaint, Watford applied the principles set out in CIDRA, which apply to consumer insurance contracts. However, because this is a commercial contract, the relevant legislation is the Insurance Act 2015 (The Act). That being said, I think it's important to set out that even if I were to consider that the principles of CIDRA apply, because for example Mr P was acting more like a consumer rather than a commercial entity, my outcome would still be the same.

Under The Act 2015 Mr P had a duty to make a fair presentation of the risk. This means he had to provide disclosure either:

- of every material circumstance which he knew or ought to have known; or
- which provided enough information to put a prudent insurer on notice that it needs to make further enquiries for the purpose of revealing those material circumstances.

The Act says the policyholder “ought to know” what should reasonably have been revealed by a reasonable search of information available to them. So the policyholder should take reasonable steps to check any available information and consider if there’s anything they ought to disclose.

When Mr P took out the policy, he was asked:

“When occupied, will the property be let under a tenancy agreement directly between the letting agent or landlord and each tenant?”

That is a question of fact, either the property will be let directly between the letting agent/landlord and each tenant, or it won’t be. Mr P answered “yes” to this but Watford has now established that the tenancy agreement – which started before the policy did – was not directly between him (or a letting agent) and a tenant. The tenancy agreement was between Mr P and a limited company who then placed a tenant into the accommodation, with the limited company being responsible for paying the rent but not being a tenant itself. So the answer Mr P gave was not correct.

So, having established that the answer was not correct, I’ve then considered if Mr P breached his duty to make a fair presentation of the risk.

Mr P says he answered “yes” because as a layperson, he had no reason to believe the arrangement (between him and the limited company) was any different to a normal residential let. And that all the limited company was doing was assisting with housing an individual tenant in a residential home and paying the rent. He said there was to be no commercial activity taking place at the property. He’s also said he didn’t understand the arrangement with the limited company fell outside the bounds of a standard tenancy agreement.

Watford’s position is that any tenancy agreement that is not made directly between the landlord and the tenant occupying the property is not acceptable. It says clearly the limited company was not going to be the tenant, and Mr P knew that when taking out the policy, since he knew the role of the limited company was to place a tenant in the property, but there was no direct agreement between Mr P and that tenant.

I understand Mr P says he didn’t realise that the limited company being listed on the tenancy agreement was something he should tell Watford about. But key for me here is that Mr P was required to take reasonable steps to check any available information, and The Act says Mr P ‘ought to know’ what should have been revealed by a reasonable search of information available to them. I accept Mr P might not have initially realised the impact of having a limited company listed on the tenancy agreement, but he was asked a specific question about the nature of the tenancy agreement. To which he answered “yes”; confirming the tenancy agreement would be between him/a letting agent and a tenant. I think he ought to have reasonably known the limited company was not the tenant, nor was it the letting agent. A reasonable search would have told Mr P that a tenant is a person who rents the property. A reasonable search would also have made Mr P aware the limited company was not acting as a letting agent. The tenancy agreement was not between him or a letting agent and the

tenant renting the property. It was between him and a limited company who would source a tenant, but would be responsible for paying the rent owed to Mr P.

If Mr P was unsure about the arrangement he had, he ought to have checked with Watford before answering the question. He said the limited company on the tenancy agreement hadn't put him on notice that there was anything 'non-standard' about the arrangement, but that doesn't mean Mr P acted reasonably in not conducting his own checks before giving the answer he did when taking out the policy. The Act also says, if Mr P doesn't disclose material circumstances, that he must disclose enough information to put a prudent insurer on notice that it needs to make further enquiries, Mr P didn't do that. In answering "yes" without consulting Watford he did not put it on notice that further enquiries were needed.

Mr P says the question is unclear because it doesn't capture arrangements such as those involving a limited company, where that limited company's sole role is to facilitate and support a tenant residing in the property. The Act doesn't give consideration to how clear an insurer's question is when deciding if a policyholder made a fair presentation. The Act, as I've set out above, places the onus on the prospective policyholder. As such I find he did not make a fair presentation of the risk when he took out the policy.

The next part to consider is then whether the breach was a qualifying one; Watford needs to show it would have done something differently if it had been given fair disclosure. Here, Watford has shown that had Mr P answered "no" to the question asked, it would have declined to offer cover. As such, I'm satisfied it has shown there was a qualifying breach. Mr P says the limited company being involved didn't alter the risk, nor have any bearing on the fire claim being made. However, it is largely down to insurers to decide which risks they want to insure, and those they don't. And, here, Watford has persuaded me it wouldn't have offered cover had the question posed been answered reasonably. That means it is, therefore, entitled to follow the remedies set out in The Act.

Where there is a qualifying breach, The Act sets out certain remedies for an insurer, depending on whether the breach was deliberate, reckless, or neither of those. The Act allows an insurer to avoid a policy, and so decline all claims, as Watford has done in this case. It also, for deliberate or reckless breaches, allows the insurer to retain the premium. Watford says it doesn't consider the breach to have been reckless or deliberate, and so it has refunded the premiums to Mr P. In the circumstances I find this fair and reasonable.

I appreciate Mr P is in a difficult position, and I can see his health has been impacted over the worry relating to the claim. Whilst I sympathise with the situation he's found himself in, I can't fairly and reasonably decide Watford has acted unfairly. As such I'm satisfied it's fair and reasonable for Watford to conclude there was a misrepresentation, and it has followed the remedies set out in The Act.

My final decision

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 P to accept or reject my decision before 12 February 2026.

Michelle Henderson
Ombudsman