

The complaint

Mr C complains Watford Insurance Company Europe Limited unfairly declined his claim and cancelled his car insurance policy.

What happened

Mr C took out a policy with Watford in November 2024.

In May 2025, Mr C's car was damaged in an accident and declared a total loss. During the claim, Watford discovered Mr C's car had modifications. It said it wouldn't have offered a policy at the start, had he disclosed them. So it voided the policy (acted like it never existed) and declined his claim.

Mr C responded and provided receipts showing the modifications were made in April 2025, after the policy started. But Watford's decision remained unchanged. It said it provides cover for very few modifications, and these would only be done for disability purposes, which Mr C's weren't. Watford thought Mr C should have told them about the modifications when he made them and confirmed if Mr C had told them, it would've cancelled his policy at that point, because it doesn't cover the modifications Mr C made.

Mr C remained unhappy, so he bought his complaint to this service. Our investigator didn't recommend Mr C's complaint be upheld, he thought Mr C should have declared the modifications to Watford and that as a result, Watford actions were reasonable.

Mr C didn't agree so his complaint's been passed to me to decide. He doesn't consider the policy terms clearly state the failure to declare minor modifications would result in cancellation of the policy and his claim not being paid.

I issued a provisional decision on Mr C's complaint. I was minded to uphold the complaint and this is what I said:

Watford has declined Mr C's claim and cancelled his policy due to him having some modifications that included; a side skirt, rear spoiler, rear lower diffuser and a dechromed exhaust. I have considered whether it was fair and reasonable for Watford to do this, when it discovered Mr C's car had been modified part way through the policy term.

The policy terms require Mr C to tell Watford about any changes from the manufacturer's standard specification he intended to make to his car and if he didn't do so the term says it can cancel his policy. There is no dispute Mr C didn't tell Watford about the modifications to his car.

However, I'm not satisfied it is fair or reasonable for Watford to rely on this term in this case – I'll explain why.

It is good industry practice that any unusual, significant or onerous policy terms should be highlighted to a prospective policyholder at the point of sale or, if a later introduction, at renewal. Having looked at the policy term, I don't consider it to be unusual – most insurance

policies will have a condition about changes to the risks the insured item represents to the insurer. However, I do think it is a significant term due to the impact it could have on cover. So, I've thought about whether this significant term was sufficiently drawn to Mr C's attention. In general, it is good industry practice for an insurer to provide a policy summary or key facts document, which includes any significant terms. The term Watford relied on can be found on page 33 of the 39-page policy wording and I cannot see the term highlighted in the Insurance Product Information Document (IPID) or any welcome documentation.

In considering the overall evidence, I'm not persuaded Watford have provided sufficient evidence to show it made it clear to Mr C that, he needed to tell it about the modifications he made to his car, or that this had to be done before the modifications were made. Had it been clearer, I think Mr C would likely have told Watford about the modifications, and whilst it's likely the policy would have been cancelled, I think Mr C would've gone elsewhere and been covered by an alternative policy. Therefore, I'm not satisfied it was fair or reasonable for Watford to rely on the term and Mr C not telling it about the modifications to void this policy and decline his claim.

So I think the complaint should be upheld. I'll move on now to what I think Watford needs to do to put things right.

Watford's engineer confirmed in his report that Mr C's car was written off. And Mr C confirmed he sold his car on 10 November 2025 without the repairs being completed for £5,000. That seems a reasonable amount to me considering it was damaged to the point Watford thought it was uneconomical to repair. Therefore, Watford needs to compensate him for the difference between what the claim value would have been, so the market value less the excess, and what Mr C sold his car for, subject to Mr C providing evidence of the sale. To reach a fair valuation, I have obtained the four valuations using market value guides and these produced valuations of: £14,574, £14,360, £14,295 and £14,001. Watford hasn't provided any reasoning of why the highest guide isn't reasonable and to provide a swift resolution to this complaint, I'm satisfied it's fair to use the highest valuation of £14,574 – all the guides are very close together here.

Interest at 8% needs to be added to the settlement amount from the date Mr C purchased his new car up until the date it is settled, as he has been deprived of the use of that money over that period.

I have also thought about the impact the cancelled policy had on Mr C, as a cancellation can have a long-lasting consequence for a consumer. Where the cancellation is unfair, we often direct an insurer to write a letter to the consumer (which they may be able to provide to a future insurer) saying the policy was cancelled in error. In the circumstances, I consider it is fair for Watford to provide Mr C with a letter that he can provide his insurer as he bought a new car and insured it with a different insurer, I cannot make a direct comparison to quantify any loss and it will be hard to ever know the impact of the cancelled policy. That's because Mr C's new policy is for a different car, and he had an additional claim, this one, when he took it out.

To ensure Mr C hasn't lost out with his current insurer, Watford needs to provide Mr C with a letter confirming the removal of the cancellation which he can provide to his current insurer to re-rate his new policy.

I've also thought about the impact Watford's decision to decline Mr C's claim and cancel his policy had on him. He's told us he's been experiencing financial and emotional difficulties, and I think Watford's actions will have caused him further distress. He's said the cancellation of the policy made it difficult and expensive to repair the damaged car, which resulted in him selling it without the repairs being completed. He's also said he relies on his car for work and

daily activities, and this affected his routine. I consider Mr C has been put through some unnecessary inconvenience because of Watford's actions. I consider £300 compensation to be fair in the circumstances.

When considering overall what has happened, I don't think Watford has treated Mr C fairly when cancelling his policy and declining his claim. Because of that, I intend to uphold this complaint.

For the reasons I've set out above, subject to either party providing me with further information, I intend to uphold this complaint and require Watford Insurance Company Europe Limited to do the following:

- *Pay the difference between what the claim value would have been (£14,574 less the excess) and what Mr C sold his car for (£5,000), subject to Mr C providing evidence of the sale.*
- *Pay 8% per year simple interest* on this amount from the date Mr C bought his replacement car to the date it pays this further amount due.*
- *Remove any record of cancellation / voidance of this policy from internal and external databases.*
- *Provide Mr C with a letter confirming the removal of the cancellation / voidance and explain that this was done in error which he can provide to his current insurer.*
- *Pay Mr C £300 compensation for the distress and inconvenience caused by avoiding the policy and not dealing with the claim*

**If Watford Insurance Company Europe Limited considers that it's required by HM Revenue & Customs to deduct income tax from that interest, it should tell Mr C how much it's taken off. It should also give Mr C a tax deduction certificate if he asks for one so he can reclaim tax from HM Revenue & Customs if appropriate.*

The responses to my provisional decision

I invited both Watford and Mr C to respond to my provisional decision.

Watford responded saying Mr C had an obligation under the policy to inform it, or the broker of any changes that may affect the policy. And it made this requirement to Mr C in the policy documentation it sent when he bought the policy. Watford says Mr C failed to inform it or the broker of the modifications he made to his car, and had he done so, it would have cancelled the policy.

Mr C accepted the provisional 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've carefully considered Watford's submissions. I've looked the documentation Watford provided, which it says demonstrates that it made Mr C reasonably aware he needed to inform it of any changes to his car during the term of the policy. Watford has referred to the Insurance Product Information Document (IPID) and the welcome letter Mr C received when he bought the policy.

I've looked at the IPID and I acknowledge it notes that "you must let your broker know if there are any changes to your personal details or changes to your car". But I don't think this

wording is sufficiently clear to highlight the ongoing duty Mr C had under the policy terms to disclose the modifications he had made to his car. I'm also not satisfied that Watford highlighted the potential significant consequence of a consumer not contacting their broker or insurer before they made any modifications – that the policy may be avoided or a claim refused.

I note in Watford's response it said that there is a contents section on the first page. And thinks this is enough for a customer to see the various sections and on what page a subject or term may be relevant. Watford referred to section 18 – *Changes which may affect your cover* – which is on Page 33. Watford doesn't think it's necessary for a consumer to read the entire booklet, and that an average person would be able to find the relevant section. But I still don't think this is enough, as the more significant, unusual or onerous a policy term is, the greater the effort to bring it to the consumers attention should be, so that a consumer can easily understand how the policy will work in practice. I'm not satisfied that a contents section at the front of a large 39-page booklet sufficiently highlights the need for a consumer to contact their broker or Watford before they made any modifications.

So I don't think the notification that Watford says it gave Mr C in the IPID and policy document to contact the broker or itself before making any modifications to his car is significantly prominent given the on-going duty the policy places on Mr C and the significant consequences not complying with that duty could bring. Had it sufficiently highlighted this requirement and consequences, I think on balance Mr C would have notified it about the modifications he intended to make.

So having considered Watford's comments, I find no reason to depart from the outcome I reached in my provisional decision.

Putting things right

Watford should do what I've said below to put things right for Mr C.

- Pay the difference between what the claim value would have been (£14,574 less the excess) and what Mr C sold his car for (£5,000), subject to Mr C providing evidence of the sale.
- Pay 8% per year simple interest* on this amount from the date Mr C bought his replacement car to the date it pays this further amount due.
- Remove any record of cancellation / voidance of this policy from internal and external databases.
- Provide Mr C with a letter confirming the removal of the cancellation / voidance and explain that this was done in error which he can provide to his current insurer.
- Pay Mr C £300 compensation for the distress and inconvenience caused by avoiding the policy and not dealing with the claim.

If Watford Insurance Company Europe Limited considers that it's required by HM Revenue & Customs to deduct income tax from that interest, it should tell Mr C how much it's taken off. It should also give Mr C a tax deduction certificate if he asks for one so he can reclaim tax from HM Revenue & Customs if appropriate.

My final decision

For the reasons set out above, my final decision is that I uphold this complaint. To put things right Watford Insurance Company Europe Limited needs to take the actions set out in the "Putting things right" section set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C to accept or reject my decision before 11 March 2026.

Lorraine Ball
Ombudsman