

The complaint

Ms B has complained about Watford Insurance Company Europe Limited's decision not to provide indemnity for a claim under her policy and to recover its outlay on the claim from her.

Any reference to Watford includes its agents.

What happened

Ms B took out a policy, which started in December 2022, to cover a car belonging to her sister, whom I'll refer to as Ms P. Ms B has explained she did this by mistake due to her details being picked up from a price comparison site. And she has admitted she mistakenly confirmed she was the owner and the registered keeper of the car. She also added Ms P as a named driver under the policy.

Ms P had an accident while driving the insured car in February 2023. She contacted Watford to report the claim, but was told it couldn't speak with her because she wasn't the policyholder. It seems she explained she was the owner of the car. However, Ms B had to call and provide permission for Ms P to speak with Watford. She told Watford that she had taken the policy out in her name by mistake. And she's said she was told that this would have to be dealt with after the claim had been settled. Ms B wrote to the broker who arranged the policy, who it seems is an agent of Watford, in May 2023 asking for the policy to be changed so it was in Ms P's name. She didn't hear back from the broker and she didn't chase the broker due to family circumstances at the time.

Ms P had another accident in November 2023. Before she or Ms B had contacted Watford to tell it about the claim Ms B received a letter from it saying she had been in an accident and requesting she contact it about this. She called Watford and explained again that she'd taken out the policy in her name by mistake. Watford's adviser told her it would be investigated. The next communication Ms B received from Watford was a letter telling her the policy was being cancelled with effect from 7 December 2023. She then received confirmation that this had happened.

In the meantime, Ms P called Watford to let it know that neither car was damaged in her accident in November 2023. But Ms P has said she was told she and Ms B had broken the law and committed insurance fraud. Ms B then wrote to the broker about the situation, but didn't hear anything further.

Ms B then received two letters from Watford, which were sent to Ms P's email address (as this was the contact email address she'd provided when taking out the policy). The first one requested reimbursement of what Watford had paid out to the third party on the first claim (£4,286.36). The second requested reimbursement of what it had paid on the second claim (£1,630.51).

Ms B wrote a formal complaint letter to Watford. She then received a final response letter from Watford. This said that she had failed to answer the questions she was asked correctly about the owner and registered keeper of the car when she took out the policy. And that she had failed to pick up these answers were wrong in the policy documentation

provided to her.

The final response then went on to explain that Ms B had no insurable interest in Ms P's car. And that it would not have been possible for her to purchase the policy if she had said she wasn't the owner or registered keeper of the car. It also explained that when she spoke to Watford in March 2023 she had not advised it that she was the owner and registered keeper of the car insured under the policy. The final response then did say that because its claim handlers were aware in March 2023 that there was an issue with how the policy was set up, it should have refused indemnity for the claim for Ms P's accident and cancelled the policy. It then went on to explain that because of this it had decided to overturn its decision not to provide indemnity for Ms P's second claim. And that, in light of this, it would not be recovering its outlay on this claim.

Ms B wasn't happy with Watford's final response and asked us to consider her complaint. One of our investigators did this. She said it should be upheld. This was because she thought by failing to take any action and settling the first claim, despite being aware the policy had been set up in the wrong name, Watford had affirmed the contract Ms B had with it. And she said this meant it needed to provide indemnity for both claims, stop any recovery action and pay Ms B £100 for distress and inconvenience.

Watford did not agree with the investigator's view. It did not accept Ms B could have set up the policy without realising it was in the wrong name. And that if she had provided the correct information it would not have provided the policy to her. So far as Watford was concerned, this means no claim under the policy is covered irrespective of what it was for and who was driving at the time of the accident giving rise to it. So, I have presumed from this that it maintains it is entitled to recover what it paid out on the first claim.

I issued a provisional decision on 18 February 2026 in which I set out what I'd provisionally decided and why as follows:

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

Having done so, I've provisionally decided to uphold it. I'll explain why.

It seems Watford thinks it has a right to recover what it paid on the first claim Ms P made because it wouldn't have provided a policy in Ms B's name if she had told it she wasn't the owner and registered keeper of the car she insured when she took out the policy. And it could have had the right to do this if it had avoided (treated it as if it never existed) Ms B's policy in accordance with the possible remedies available to it under The Consumer Insurance (Disclosure and Representations) Act 2012 (CIDRA). Provided it could have shown Ms B had made what CIDRA describes as a qualifying misrepresentation.

However, it did not avoid Ms B's policy or reserve its right to do so. Instead, it cancelled the policy with effect from 7 December 2023. This means the policy was live and cover under it was in place when the accidents giving rise to both claims happened. It also means that in order to decline (refuse indemnity) to Ms P for the claims arising from these accidents, it would need to be able to rely on a term in the policy to do so. And Watford hasn't cited a term it thinks it can rely on. And I don't think there is one that it could reasonably rely on. Watford has mentioned the fact that Ms B didn't have an insurable interest in Ms P's car. And it would appear that this is true, as she did not own it and had not borrowed it. However, it is irrelevant as far as Ms P's claims are concerned, as she was covered by the policy at the time she had the accidents. She was also the owner of the insured vehicle and needed cover for any third party liability when driving it.

Therefore, because Watford didn't avoid Ms B's policy, which means it was in force at the time Ms P had her accidents, I consider Watford is obliged to deal with both Ms P's claim and has no right of recovery against Ms B.

Of course, if Watford had avoided the policy, assuming this was justified, it would have a right of recovery from Ms B on the first claim, as it should never have been providing the policy. But it didn't avoid the policy, it simply cancelled it after both accidents had happened; and after both claims by Ms P for these had been made. Watford has accepted it would not be appropriate to recover what it paid on the second claim anyway, as it should have picked up on the fact there had been a misrepresentation before the second accident occurred and either cancelled or avoided the policy. And I agree with it on this point. But, for the reasons I have explained, I do not think it has the right to recover what it paid on the first claim either.

I anticipate Watford may think it still has the right to avoid Ms B's policy in accordance with CIDRA and recover what it has paid on the first claim from her. But I don't consider that it does have the right to avoid the policy at this stage. This is because I consider it waived its right to do this in law when it failed to avoid the policy when it first became aware of Ms B's misrepresentation, which it appears was in March 2023. And, even if it didn't become aware at this time, I think it was clear at the point it cancelled the policy that it probably had a right to avoid it. So, at the very latest, it waived its right at this point.

I should also say that, even if it was not the case that Watford legally waived its right to avoid Ms B's policy, I do not consider it would be fair and reasonable for it to do it at this late stage, bearing in mind it has had ample opportunity to do this and not done so.

In summary, for the reasons I have explained, I consider as part of the fair and reasonable outcome to Ms B's complaint Watford should provide indemnity to Ms P for both her claims under the policy. And I also consider it must stop any recovery action against Ms B and refund anything she has paid as a result of this with interest. Interest should be at 8% per annum simple from the date she paid any amounts as part of the recovery process to the date it refunds what she has paid.

It will be clear that I think Watford's handling of the matter around the mistake Ms B made when she took out the policy and the claims she and Ms P made under it was very poor indeed. And I think this and its failure to properly address the matter and then try to recover a large amount of money from Ms B when it wasn't entitled to do so caused her a great amount of distress and inconvenience. However, in deciding what compensation is fair and reasonable to award for this, I have to bear in mind the fact that it was Ms B's error in the first place that led to the problems she experienced. I also have to bear in mind that it is probably only because of poor handling by Watford that Ms B has escaped having to pay back over £4,000 for what it paid on the first claim. So, in view of this, I've provisionally decided not to award any compensation for distress and inconvenience.

My provisional decision

For the reasons set out above, I've provisionally decided to uphold Ms B's complaint about Watford Insurance Company Europe Limited and require it to do the following:

- *Provide indemnity to Ms P for the claims she has made under Ms B's policy.*
- *Stop any recovery action for the amount it has paid for either claim from Ms B.*
- *Reimburse any amounts Ms B has paid as a result of the recovery action it took with interest. Interest should be at 8% per annum simple from the date she made the payments to the date of reimbursement.*

I gave both parties until 4 March 2026 to provide further comments and evidence in response to my provisional decision.

Watford has responded to say it doesn't have any further comments or evidence to provide and does not wish to dispute my provisional decision. Ms B has responded to say she accepts my 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.

As Watford has not provided any further comments or evidence and has said it does not wish to dispute my provisional decision. And because Ms B has accepted it, I see no reason to reach a different conclusion on the fair and reasonable outcome to Ms B's complaint to the one I set out in my provisional decision.

Putting things right

For the reasons set out in my provisional decision, I've decided to uphold Ms B's complaint about Watford and require it to do the following:

- Provide indemnity to Ms P for the claims she has made under Ms B's policy.
- Stop any recovery action for the amount it has paid for either claim from Ms B.
- Reimburse any amounts Ms B has paid as a result of the recovery action it took with interest. Interest should be at 8% per annum simple from the date she made the payments to the date of reimbursement.

* Watford must tell Ms B if it has made a deduction for income tax. And, if it has, how much it's taken off. It must also provide a tax deduction certificate for Ms B if asked to do so. This will allow her to reclaim the tax from His Majesty's Revenue & Customs (HMRC) if appropriate.

My final decision

I uphold Ms B's complaint about Watford Insurance Company Europe Limited and require it to do what I have set out above in the 'Putting things right' section.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms B to accept or reject my decision before 01 April 2026.

Robert Short
Ombudsman