

## The complaint

Mr B complains about the settlement offered by Watford Insurance Company Europe Limited when he claimed on a car insurance policy.

## What happened

Mr B insured a car with Watford Insurance. The car was damaged in an accident and, after being inspected by engineers appointed by Watford Insurance, declared a write off.

Watford Insurance offered £14,752.00 in settlement of the claim, less the policy excess. It said this represented the market value of Mr B's car at the time of the accident.

Mr B was unhappy with this offer as he said replacing the car would cost significantly more than was being offered. When Watford Insurance rejected his complaint, he referred it to our service. Our investigator considered the settlement offered was too low and should be increased. Watford Insurance didn't agree and requested an ombudsman's 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.

What I need to do here is establish whether Watford Insurance has made a fair offer in settlement of the claim, and if not, what a fair offer would be. The starting point for my considerations is what the terms and conditions say about how claim settlements are calculated.

The policy terms and conditions say that in the event of a claim, the most Watford Insurance will pay in settlement is the “*market value*” of the car. The “*market value*” is defined as “*the retail market value based on that listed in the current Glasses Guide for purchasing, or replacing, the insured vehicle with one of the same make, model, age, trim level, recorded mileage and being in a similar condition. Glasses Guide is a motor trade publication recognised and used extensively throughout the motor vehicle industry to value new/used vehicles. Where Glasses Guide is not available or there is a dispute over valuation with your insurer, we will consider alternative equivalent motor trade publications such as CAP (CAP Motor Research Ltd) or Parkers Guide.*”

Vehicle valuation isn't an exact science. The various valuation tools and guides available use different data and algorithms to give valuations, meaning there can be differences between the guides for the same vehicle.

In Mr B's case, the Glass's guide gave a value for his car of £14,840. Watford Insurance also obtained values from two other guides, Cazoo (£16,190) and CAP (£11,100). It considered that both were unrepresentative of the true value of the car, with Cazoo's being too high and CAP's being too low.

Watford Insurance said it looked at other information and concluded that £14,752 was a fair

offer for Mr B's car.

When carrying out our investigation, we checked the Cazoo and CAP valuations and obtained different values for Mr B's car. CAP gave a value of £13,350 and Cazoo gave a value of £15,411.

Usually where an insurer has obtained a valuation using one of the recognised guides, we don't check the guide ourselves, if we're satisfied that the correct information has been used to obtain the valuation. The reason we did so on this occasion is that in its submissions to our service, Watford Insurance didn't provide the evidence of the Cazoo and CAP valuations until after our investigator had given her opinion that it had made an inadequate settlement offer.

We also obtained a valuation for Mr B's car from a fourth tool, Auto Trader, which gave a value of £15,236. Watford Insurance says it's unfair for us to rely on this tool as it isn't one they use when valuing vehicles.

I note the policy definition doesn't include reference to Auto Trader's guide values, but it does refer to "*alternative equivalent motor trade publications such as CAP or Parkers Guide.*" I'm satisfied the policy definition of the market value doesn't exclude the Auto Trader guide and also that it's a recognised guide for valuing vehicles. I think it's fair to use the valuation obtained from Auto Trader when assessing whether the settlement offer from Watford Insurance was reasonable.

Watford Insurance agrees the CAP value we obtained is correct, as the wrong figure had been used in their initial review. In any case, it isn't disputed that even the correct (higher) value should be discounted from the assessment of the car's market value as it's significantly lower than other guides.

Watford Insurance disputes whether it's fair for us to rely on the Cazoo valuation our investigator obtained. It had already done so, and excluded this from its calculations.

While Watford Insurance had obtained a valuation from Cazoo, based on accurate information, it didn't provide us with screenshots or other evidence to show this. In those circumstances, we will check the valuation tool. After we did so, and obtained a different value which was one of the reasons our investigator concluded the offer was unreasonable, we were provided with the screenshot of the valuation Watford Insurance obtained from Cazoo.

Our valuation was obtained after Watford Insurance's, and I think it's reasonable to use it in assessing whether a reasonable offer was made. I say this because the valuation given is significantly lower than it was when Watford Insurance checked Cazoo. This suggests to me that the data used by Cazoo has changed, or the algorithm used to calculate values altered. The more recent value is closer to the values from Glass's and Auto Trader so I think it would be reasonable to say it's more accurate. I've concluded it's reasonable to consider the Cazoo valuation obtained by our service when looking at the settlement offered

One other point I'd make briefly is that we have used the lower Cazoo valuation. The higher valuation was previously excluded as an outlier compared to the Glass's valuation. I note this value is around £900 more than the Auto Trader valuation. I'm not sure whether the argument that it should be excluded as excessive is as strong as it was without the Auto Trader valuation. As I'm using the lower value from Cazoo, I don't intend to consider this further.

I'm aware Mr B has sent us adverts which show similar vehicles to his have been for sale for

more than £17,000. We don't usually consider adverts to be more persuasive than the trade guides. This is because the adverts don't reflect the actual, or likely selling price, just the advertised price. The guides use likely and actual selling prices in their calculations. I haven't seen anything which persuades me I should prefer the advertised prices found by Mr B as indicative of the market value of his car over the valuations obtained from the three trade guides I've referenced above.

I'm therefore satisfied the three valuations I should consider here are Glass's (£14,840), Auto Trader (£15,236) and the more recent Cazoo valuation (£15,411). Our general approach is that if an insurer has made an offer which sits within the range of the trade guide valuations (after outliers are excluded) then we'd normally say it was fair. That isn't the case here. The amount offered by Watford Insurance is less than the bottom of the range of values.

I therefore conclude that Watford Insurance didn't make a reasonable settlement offer, and that an additional sum should be paid to Mr B so that he's been made a fair settlement, which reflects the market value of the car.

### **Putting things right**

Having concluded that the offer made by Watford Insurance didn't properly recognise the market value of Mr B's car, I've considered what an appropriate settlement would be.

I've outlined above which three guide prices should be used to calculate a fair offer. I think, in line with our approach to these types of complaint, that an average of the three guides should be considered to represent a fair settlement and indication of the market value. The average of the three values is £15,162.33. This is £410.33 more than originally offered. So Watford Insurance should increase the settlement by £410.33, to £15,162.33. The policy excess would be deducted from this amount.

Watford Insurance should also pay simple interest at a rate of 8% per year, from the date of its original settlement offer to the date of final settlement. This is in line with our standard approach where the original settlement offer is insufficient and recognises that a higher amount should have been paid, and been available to the consumer during that period.

### **My final decision**

It's my final decision to uphold this complaint. In order to put things right, Watford Insurance Company Europe Limited must:

- Increase the settlement paid on the claim by £410.33, to £15,162.33 (less the policy excess).
- Pay simple interest at a rate of 8% on the additional amount from the date of its original settlement offer to the date of final settlement.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 9 December 2022.

Ben Williams  
**Ombudsman**