

The complaint

Mr A complains about the settlement that Watford Insurance Company Europe Limited paid him for the total loss of his car following a claim made on his motor insurance policy.

What happened

Mr A's car was damaged, and he made a claim to Watford. It declared the car to be uneconomical to repair and it offered Mr A £7,012 in settlement of his claim. Watford said this was based on valuations provided by two motor trade guides less deductions for the policy excess and for the car being a previous total loss. Mr A complained and Watford's engineer increased the valuation to £7,850. But Mr A remained unhappy as his research had found that he couldn't replace the car for less than £9,500.

Our Investigator recommended that the complaint should be upheld. She looked in four of the motor trade guides we use and found that the average valuation provided was £10,367.75. She thought Watford had fairly deducted the policy excess and 20% for the previous total loss. And so she thought it should increase its valuation to £8,294.20 and pay Mr A interest on the difference. She also thought it should pay Mr A £150 compensation for the trouble and upset it had caused him.

Watford replied that it didn't use one of the guides we use for valuations. It asked for an Ombudsman's review, so the complaint has come 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 can understand that Mr A wants a fair settlement for the loss of his car. He said he wasn't aware that it had been a previous total loss. But our Investigator explained that this information is on the car's V5 registration document, and it is the consumer's responsibility to check this and ensure that the car is in a roadworthy condition.

Mr A thought Watford should pay him the cost of replacing his car. But I can see that his policy provides for the car's market value in the case of its total loss. The Investigator has also explained this service's approach to car valuations. We don't provide valuations for cars but look to whether the insurer's offer is reasonable.

In assessing whether a reasonable offer has been made, we obtain valuations from motor-trade guides. These are used for valuing second hand vehicles. We find these guides to be particularly persuasive, largely because their valuations are based on nationwide research and likely sales figures. The guides also take into account regional variations. We also take all other available evidence into account, for example, engineer's reports.

Our Investigator thought Watford's valuation of Mr A's car was too low. So I've checked how she came to this conclusion. I can see that she looked in the four motor trade guides we use for cars of the same make, model, age, mileage and condition as Mr A's car at the date of its loss. The valuations she found were wide spread. And we would usually discount any outliers. But, in this case, I'm satisfied that this wouldn't be fair due to the even spread. And so I'm also satisfied that a fair valuation would be the average of the four valuations.

Watford said it didn't use one of the guides we rely on. But, as it had provided a valuation for Mr A's car, I think it would be unfair to Mr A to discount it.

I think, in keeping with our approach, that a 20% deduction should be made from this settlement due to the previous total loss. This is because the previous total loss would make the car less attractive to potential buyers. And I also think Watford is entitled to deduct the policy excess as this is always the first part of a claim to be paid.

This means that a fair and reasonable settlement for the loss of the car would be £8,294.20. Watford has already paid Mr A £7,850. So I think it should now pay him the difference between these amounts, adding interest as Mr A has been without his money for some time. Mr A has also been put to the trouble of carrying out research into car valuations. And I think Watford should pay him £150 compensation for this. This is in keeping with our published guidance for the level of impact caused by its unfair valuation.

Putting things right

I require Watford Insurance Company Europe Limited to do the following:

1. Pay Mr A the difference between £8,294.20 and its previous valuation of his car in settlement of his claim, adding interest to this amount at the rate of 8% simple per annum from the date of the initial settlement to the date of payment†.
2. Pay Mr A £150 compensation for the distress and inconvenience caused by its handling of his claim.

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

My final decision

For the reasons given above, my final decision is that I uphold this complaint. I require Watford Insurance Company Europe Limited to carry out the redress set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr A to accept or reject my decision before 3 July 2023.

Phillip Berechree
Ombudsman