

## The complaint

Mr M complains about the amount he received for his car from Watford Insurance Company Europe Limited when it was written off following an accident.

## What happened

Mr M had insurance for his car with Watford. In June 2022 he was involved in an accident and made a claim on his policy. His car was assessed and deemed to be a total loss. Mr M's car was initially valued at £5,343. But Watford reviewed this and based on the average of three trade guides increased their valuation to £7,678. They then deducted 20%, £1,535, from this figure as the car had previously been classed as a total loss. So Mr M was offered a settlement of £6,143.

Mr M wasn't happy with this figure and the deductions made, as he hadn't had the car for long, he'd paid £8,000 for it, and needed this amount to buy an equivalent replacement. So he raised a complaint.

Watford didn't uphold his complaint. They said they'd reviewed their initial valuation and considered their valuation of £7,678, an increase of £2,335 on the initial amount offered, to be fair. From this they'd deducted £1,535, as his car had previously been declared a total loss, which was in line with his policy terms and conditions. So they considered their offer of £6,143 to be reasonable. Their letter confirmed that this payment was subject to the deduction of any outstanding payments due on his annual premium and his policy excess.

Mr M's policy schedule confirms that his annual premium was £2,388.72 and his policy excess was £400. His premium was paid monthly.

Watford have told us that a payment of £4,583.98 was issued to Mr M on 15 September 2022. When he made his claim, they say there was a balance of £1,159.02 still outstanding in respect of his annual premium, so this and his £400 policy excess were deducted from the settlement offer.

As Watford didn't uphold his complaint Mr M complained to our service. Our investigator considered the case but didn't uphold the complaint. He said that Watford's valuation of £7,678 was fair, based on three motor trade guides. And he thought the deductions they'd made from this amount were also fair.

Mr M's car had previously been categorised as a total loss. Even though it had been repaired to a high standard, and was roadworthy, our investigator said the deduction of 20% for the previous total loss was in line with what we consider fair. And he considered the deductions for the balance of the outstanding premium and Mr M's policy excess were also fair. So while the £4,583.98 was less than Mr M expected to receive, our investigator didn't require Watford to pay anything more.

Mr M didn't accept our investigator's opinion as he said he insured his car for £8,150 and wouldn't accept anything less. And because he didn't receive this amount, he believes he was sold his insurance on false terms.

Since our investigator provided their opinion Watford have confirmed that when carrying out their valuations of Mr M's car their searches showed that the car had been a previous total loss.

They've said that when buying a car a customer would be responsible for checking that the car is above board and has not previously been written off and isn't subject to outstanding finance. And they've said that there are checks that can be done, although a fee may be payable. They've also said that there's a link on a vehicle's registration document (V5c) to a website where a vehicle check can be requested.

Mr M has told us he didn't know the car was a previous write off. The seller didn't tell him and as it was in near perfect condition, he had no reason to think it had been written off. He believes Watford only raised this as they didn't want to pay out for his car.

The case has now come to me for 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 why Mr M is disappointed by the amount he received for his car, especially as he's now told us that the other driver's insurers have accepted liability for the accident. But I'm not considering the accident circumstances, or who was at fault. Mr M made a claim on his policy for his car, so what I'm considering is whether Watford carried out a fair valuation, and if the deductions they made from that valuation were correct.

The initial valuation of Mr M's car, given by Watford's salvage agents appears to have been too low. But Watford reviewed this and provided an updated valuation, based on the market value of the car using three trades guides. And they've provided copies of these valuations. This is how we'd expect them to arrive at their valuation. And I think their increased valuation of £7,698 was fair.

I know Mr M says he'd insured his car for £8,150 and he won't accept less. But that's not how insurance works. In the event of his car being deemed a total loss his policy says Watford will pay the market value of his car. And if the claim is settled on a total loss basis, he'll be liable to pay his full annual premium and his policy excess, which Watford reserve the right to deduct from the settlement due to him.

Having arrived at a valuation for his car, Watford then deducted 20% as it had previously been deemed a total loss. Mr M has told us he wasn't aware the car had previously been written off, as the seller didn't tell him and there was nothing to alert him to this, as the car was in near perfect condition.

We expect a consumer buying a second-hand vehicle to take reasonable care, and as a minimum we'd usually expect them to show they've carried out some form of check on the car's history. Mr M didn't do this, he relied on the vehicle being in good condition and says the seller didn't tell him about the car's history. Vehicle's checks are simple and cheap to carry out online. And as he was paying over £8,000 for the car, I think Mr M should have checked the car's history. Had he done so he'd have become aware that it was a previous write-off. I can't say that this would have affected his decision to buy the car, or the price he paid, but it may have done.

The fact that a car has previously been "written-off" can put off potential buyers, no matter how well it's been repaired. This can affect its value. So we'd say it was reasonable for

Watford to make a deduction of up to 20%. And I think it was reasonable for Watford to make a deduction in this case, as Mr M hadn't carried out any checks before buying the car.

Mr M has complained that Watford made a deduction from the car's valuation as it had high mileage. The valuation report recommended a deduction of £780 be made due to excess mileage. As the car had a recorded mileage of 95,350 miles, against a guide mileage of 76,000 miles for a car of its age. We usually say a 0.5% adjustment per 1000 miles above average mileage was reasonable. But Watford don't appear to have deducted this amount from the settlement offer they made to Mr M, even though they were entitled to do so.

Deducting 20% from Watford's valuation meant they offered Mr M £6,143 for his car. But the policy then allows Watford to deduct Mr M's policy excess of £400. And as he was paying his premium by monthly instalments, the balance of his annual premium, which was £1,159.02. So, the final amount Mr M received was £4,583.98.

While this was less than Mr M expected to receive, and I appreciate the comments he's made about this not being enough to purchase an equivalent replacement car, the deductions are all in line with his policy terms and conditions, so I can't ask Watford to pay him anything further.

### **My final decision**

For the reasons set out above my final decision is that I don't uphold Mr M's complaint about Watford Insurance Company Europe Limited.

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

Patricia O'Leary  
**Ombudsman**