

## **The complaint**

Mr S and Mr S complain about delays in Watford Insurance Company Europe Limited's (Watford) handling of their claim following the theft of a catalytic convertor, under their motor insurance policy.

I will refer to Mr S to denote both complainants in my decision.

## **What happened**

In January 2023 Mr S's catalytic convertor was stolen from his car. This happened whilst it was parked on his driveway. He says that having considered his options he decided to make a claim to Watford ten days later. There was a delay in the car being collected. When it was collected Watford told Mr S it was repairable.

After some time, further damage was found. This was caused by water ingress into the boot of the car. This happened whilst it had been left waiting for repair. The water damaged the hybrid vehicle's battery and resulted in it being categorised as a total loss. Mr S says it took many months for a settlement payment to be provided. During which time the settlement offer was reduced, and when disputed, reverted back to the original offer of £5,400.

Mr S says Watford has caused unnecessarily long delays. He and his brother had to use public transport and incurred costs in doing so. No courtesy car was provided. This caused problems as Mr S's father is disabled and there was no other car to provide transport for him. Mr S says he bought a car in February 2023 to try and mitigate the cost of taxis. He says this was necessary as he and his brother work unsociable hours.

In its complaint response Watford acknowledges Mr S had taken a day off work to allow collection of the car. This didn't happen as agreed and a later date had to be arranged. Watford says its engineer's report was initially delayed. This meant it wasn't known if the car was economically viable to repair. Watford offered £40 compensation to compensate for these failings.

Mr S wasn't satisfied with Watford's response and referred the matter to our service. Our investigator upheld his complaint. He says Watford's communication with Mr S during the handling of his claim was poor. There were also avoidable delays in reaching a total loss decision. He says there were further delays in providing a settlement payment, which at the time of issuing his findings had yet to be provided.

Our investigator thought Watford should pay Mr S a further £110 in compensation. In addition, he says it should pay 8% interest on the settlement payment from 28 April 2023, when the total loss was confirmed, until the payment is made.

Mr S didn't think this was a fair outcome and asked for an ombudsman to consider his complaint.

It has been passed to me to decide.

I issued a provisional decision in September 2023 explaining that I was intending to uphold Mr S's complaint. Here's what I said:

*provisional findings*

*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 my intention is to uphold Mr S's complaint. But I think Watford needs to do more to put things right. Let me explain.*

*Under the Financial Conduct Authority (FCA) DISP rules our service can only consider a complaint once the business has had the opportunity to respond, or where this takes longer than eight weeks. Watford's final complaint response is dated 6 April 2023. It refers to a delay in the collection of the car, and a delay in assessing the repair costs. Since this time, its approach to Mr S's claim changed from repairing the vehicle, to it being considered a total loss. This involved further delays and a dispute around the settlement payment.*

*I asked Watford if it would agree to our service considering the further delays and settlement payment issues. It responded to say it agreed so an overall resolution can be achieved more quickly. It says Mr S has since accepted its settlement figure. And it provided updated claim notes for me to consider. My decision will therefore include these delays and the settlement payment issue, up until this was paid in June 2023.*

*Mr S made his claim on 23 January 2023. His car wasn't collected on 1 February as agreed. This meant Mr S arranged a day off work unnecessarily. The car was then arranged to be collected around a week later.*

*I've read the engineer's report dated 14 February 2023. This says the car is repairable. Watford has supplied a timeline of events. This shows it approached three repairers. They were unable to take on the work. A repairer was sourced in early March. Another engineer's report was produced on 6 March. This says the car wasn't repairable due to further damage sustained through water ingress. The battery in the hybrid car had to be replaced. This significantly increased the cost of the repairs. The decision was then made to categorise the car as a total loss.*

*I've read the engineer's report. This shows the cost of repairs was in excess of the vehicles estimated market value. The car was an economic write-off based on this information. The report provides a valuation for Mr S's car based on the industry trade guides. The engineer also listed similar vehicles that were advertised for sale. He valued the car at £5,400. Given the cost of the repairs exceeded this amount, I don't think the total loss decision was unreasonable.*

*I can't see that this decision was communicated to Mr S at the time. Watford's claim records include an internal note, from 20 April 2023, referring to the engineer's total loss decision. Eight days later the records say it was agreed to proceed on this basis. It was at this time that Mr S was informed of the settlement offer.*

*The records show Watford contacted Mr S on 22 May 2023 to say it was in a position to settle the claim. The email says their car has now been valued at the lower amount of £4,820. After the policy excess this meant a settlement payment of £4,500. The records show this amount changed again on 26 May. I can see Mr S disputed the lower figure in an email dated 1 June. Watford then agreed to pay the original settlement figure of £5,400, less the policy excess.*

*I've thought about whether the evidence shows Watford handled Mr S's claim effectively. Some level of inconvenience is unavoidable in the event of a claim like this. But we expect an insurer to handle claims effectively to avoid unnecessary delays and inconvenience. I don't think Watford handled this claim effectively.*

*In its submissions to our service, there is reference to adverse weather conditions at the time the claim was made. But the impact this had on Watford's claim handling hasn't clearly been explained. I can see that there were several repairers who couldn't take on the work initially. The indication being there was an issue with repairer capacity in the locality at that time. From the claim records it took ten days, from the first repairer declining the work, until the job was accepted.*

*I accept there were issues when Watford first tried to appoint a repairer. Also, when collecting the vehicle from Mr S's home. But none of this was his fault. The business doesn't explain why it took from 23 January to 24 February 2023 for contact to be made with the first repairer. I think a month is excessive to arrange this.*

*Mr S's car was further damaged whilst in the care of Watford's appointed agent. Until this point it was confirmed as repairable. It's not clearly been explained how this happened. But I'd expect Watford to ensure vehicles are stored appropriately, whilst awaiting repair. It didn't do so here resulting in the car being written-off. This decision was confirmed in the engineer's report at the beginning of March 2023. But the settlement payment wasn't provided until the beginning of June.*

*I haven't seen a reasonable explanation as to why it took so long to provide the settlement payment. There are several different claim records showing different valuation amounts, from April through to June 2023. I think this further demonstrates poor handling, and an overall confused approach to settling Mr S's claim.*

*I've thought about the impact all of this had on Mr S and his brother. They bought a car on 21 February 2023 as it wasn't practicable to be without one. Mr S's father is disabled and required transport to be provided for him. They also highlight the unsociable hours they both work. They took public transport where they could but needed to use taxis at other times. In the circumstances I think Mr S and his brother acted reasonably to mitigate the loss of their car.*

*I've read Mr S's policy terms to see if cover is available to provide a courtesy car. It is. The terms say, "if you have Comprehensive cover and Your Car is repaired by one of Our Approved Repairers, You will be supplied with a small manual hatchback Car while Your Car is being repaired, subject to availability."*

*Mr S's loss was reported on 23 January 2023. I think the car should reasonably have been collected within a week. This didn't happen. A courtesy car should then have been provided from the beginning of February. This didn't happen either. In these circumstances our service considers it reasonable for compensation to be provided at £10 per day to acknowledge the loss of use of a vehicle. Watford should pay this from 1 February up to the point Mr S had use of the replacement car he was able to buy. In total this means it should pay £200 for twenty days loss of use.*

*I've also thought about the delay in providing a settlement payment. The car was reported as a total loss on 6 March 2023. I think it's fair that Watford adds 8% simple interest from this date until the payment was made in June.*

*Mr S's car became a total loss whilst in the care of Watford's agent. This shouldn't*

*have happened. This meant he had to replace their car. I think it's reasonable that he and his brother are compensated for the inconvenience and frustration this caused.*

*I've also thought about the standard of customer service and the delays Mr S and his brother experienced. Communication was poor, as can be seen from the lack of contact made by Watford, and its agents, with respect to updates and when relaying its engineer's findings. The car wasn't collected when agreed initially, resulting in Mr S taking a day off work unnecessarily. The settlement value was also reduced, without clear explanation. This required further contact from Mr S.*

*It shouldn't have taken Watford approximately five months to settle the claim. This has caused Mr S and his brother a great deal of disruption and inconvenience.*

*Having considered all of this, I think Watford should pay Mr S a further £500 compensation to acknowledge its poor claim handling and the impact this had.*

*Finally, I've looked at the settlement payment Mr S was offered. We don't provide valuations for vehicles but rather we look to see whether the insurer's offer is reasonable. In assessing whether a reasonable offer has been made, we obtain valuations from the motor trade guides.*

*These guides are used for valuing second-hand vehicles. We find these guides to be persuasive because their valuations are based on nationwide research and likely sales figures. The guides also consider regional variations. We also take all other available evidence into account, for example, engineer's reports.*

*Due to the age of Mr S's car we could only obtain a valuation from one more of the trade guides. This valued the car at £5,323. I've checked that the valuations Watford obtained used the correct vehicle make and model. As well as the mileage, condition, and valuation date. The information it used was correct. These valuations were for £4,940 and £5,287.*

*Valuing second-hand vehicles isn't an exact science so I'd expect there to be a range of values where different trade guides are used. Based on this Watford offered a settlement payment that falls slightly above the range of the trade guide valuations I've seen for Mr S's car. So, I don't think it treated him unfairly when offering the amount it did.*

I said I was intending to uphold Mr S's complaint and Watford should:

- pay Mr S and Mr S £200 compensation for the loss of use of their car;
- pay 8% simple interest on the delayed settlement payment for the period beginning 6 March 2023 until this was paid; and
- pay Mr S and Mr S £500 compensation for the frustration, inconvenience, and distress it caused them.

I asked both parties to send me any further comments and information they might want me to consider before I reached a final decision.

Mr S responded to say he accepted my provisional decision.

Watford responded to say it wanted to challenge my findings. It says that 'loss of use' isn't covered in its policies and that this isn't something it's able to pay.

In its submissions Watford says there was a delay spanning a period of nine days. It says this was from 1 February 2023 when an appointment was made to collect the car - up until 9

February, when it was collected. It also says Mr S didn't make a claim until 23 January, which means it took 16 days from him claiming, until his car was collected.

Watford says the delay can't be considered from the day Mr S claimed. This is because resources would need arranging. It says assuming no issues, a five-day turnaround would normally be expected. It considers £500 compensation to be 'extreme' given the circumstances and asks for a breakdown to support such a high level of compensation.

### **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 thought about what Watford has said in response to my provisional decision. But this doesn't persuade me to alter my findings.

In its representations Watford comments on the time taken to collect Mr S's car. It agrees it failed to collect it on 1 February 2023 and Mr S took a day off work to allow this. But it says it was only responsible for a nine-day delay and doesn't agree with the compensation I said it should pay.

In my provisional decision I detailed a number of different failings on Watford's part to support my findings and recommendation for it to pay compensation. I'll reiterate these points, here.

The records show Watford's engineer determined the car was repairable in a report dated 12 February 2023. It first contacted a repairer on 24 February 2023, which was around a month after the claim was made. It's not been explained why this took so long. The repairer couldn't do the work. An alternative garage was subsequently appointed in early-March.

Another engineer's report was produced on 6 March 2023. The car was then categorised as a total loss. This was due to battery damage caused by how the car had been stored with Watford's agent. It wasn't until the end of April that Watford finally told Mr S his car was considered a total loss. A settlement value of £5,400 was confirmed.

On 22 May 2023 Watford told Mr S it was in a position to settle the claim for the lower amount of £4,820. This amount changed again, four days later. Watford subsequently agreed to pay the original valuation for £5,400 at the start of June.

Based on this evidence Watford is responsible for damaging Mr S's car so that it was no longer economical to repair. This meant he had to find a replacement. It handled the claim poorly to start with when arranging collection. It took almost two months to communicate the total-loss decision. And in total it took around five months to provide a settlement payment. I think this shows Watford handled Mr S's claim poorly. In these circumstances, given the delays, inconvenience and disruption caused, I think £500 compensation represents fair compensation.

Mr S was able to mitigate the loss of his car by purchasing a replacement, which he did on 21 February 2023. He explains that he and his brother needed a car to commute to work. Their father also relied on them to provide transport for him due to his disability.

Mr S's policy provides for a courtesy car whilst repairs are being completed. In my provisional decision I said a car should reasonably have been provided on 1 February. This is when Mr S's car was supposed to have been picked up.

Mr S took reasonable steps to mitigate the problem at an early juncture by buying a replacement car. But this still left him and his brother, without a car for a period. As I said in my provisional decision I think it's fair that the business pays Mr S compensation for the loss of use of his car at £10 per day. I think Watford should reasonably provide a payment covering the period from 1 February 2023 until the replacement car was bought on 21 February.

I note what Watford's policy terms say about not paying for loss of use. But it's reasonable that the business provides compensation where its poor handling of a claim impacts on a customer. This is an established approach taken by our service. I think this is appropriate in these circumstances.

Having considered Watford's further comments, I'm not persuaded to change the outcome set out in my provisional decision.

### **My final decision**

For the reasons I've explained above, and in my provisional decision, I uphold Mr S and Mr S's complaint. Watford Insurance Company Europe Limited should:

- pay Mr S and Mr S £200 compensation for the loss of use of their car;
- pay 8% simple interest\* on the delayed settlement payment for the period beginning 6 March 2023 until this was paid; and
- pay Mr S and Mr S £500 compensation for the frustration, inconvenience, and distress it caused them.

\*If Watford considers that it's required by HM Revenue & Customs to deduct income tax from that interest, it should tell Mr S and Mr S how much it's taken off. It should also give them a certificate showing this if they ask for one, so they can reclaim the tax from HM Revenue & Customs if appropriate.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S and Mr S to accept or reject my decision before 30 October 2023.

Mike Waldron  
**Ombudsman**