

The complaint

Mr J complains about the way Watford Insurance Company Europe Limited (Watford) handled a claim under his motor insurance policy.

What happened

The following is intended as a brief summary of events only. Mr J was involved in a car accident in July 2021 when he collided with the rear of a third-party vehicle. He contacted Watford to notify them of it and Watford logged the claim and confirmed it would be recorded as a “fault” claim.

Watford later followed this notification up with a letter to Mr J which explained they had logged the claim as fault under his policy and they would look to deal with the third-party driver’s claim. Watford said they then made contact with the third-party insurer and accepted liability and asked for their claim outlay. No further contact was received from the third-party however, so Watford closed their file.

In December 2023, the third party-insurer got back in touch with Watford and said they were intending to issue court proceedings in order to recover their outlay as part of the claim. In January 2024 the claim was re-opened and reviewed, but no further contact was received from the third-party insurer until June 2024. Because liability had already been established – Watford decided to settle the claim, which was completed by July 2024, and Watford wrote to Mr J to confirm the claim had been closed.

Mr J was unhappy with this and said he disputed that the third-party vehicle would have suffered the damage claimed, and asked Watford to inspect his car. But Watford said this would not be beneficial due to the time that had passed since the accident date. And they explained that as liability had been established, they settled the claim to avoid any further costs being incurred.

Mr J raised a complaint to Watford. He was concerned the claim had been presented three years after the accident had happened and could be fraudulent. Watford responded to the complaint and upheld it in part. They said the third-party vehicle hadn’t been classed as a total loss three years after the incident – this was just when the claim outlay had been raised to them. And they said as liability was already established as a fault claim, they couldn’t remove the incident log from the insurance database. But they did agree they should have told Mr J they were reopening the claim in January 2024 – so they made an award of £100 compensation for any distress and inconvenience caused.

Mr J remained unhappy with Watford’s response, so he brought the complaint to this Service. He remained unhappy the claim had been raised so late and Watford had paid the claim without him being able to defend it as he said he had dashcam footage. He said he had concerns that the claim was fraudulent as the third-party’s car had been written off three years after the accident.

An Investigator looked at what had happened but didn’t recommend the complaint be upheld. She thought Watford had acted fairly and reasonably by dealing with the claim in the

way they did, given they had established liability after the accident and had informed Mr J of this. She also thought the £100 compensation offered for not telling Mr J they had reopened the claim was fair and in line with the approach this service would likely take in similar scenarios – so she didn't think Watford needed to do anything more.

Mr J disagreed with the Investigator's outcome and asked for an Ombudsman to review the complaint – so it's been passed to me to decide.

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.

Having done so, I've decided not to uphold this complaint – I'll explain why.

Under Mr J's policy, Watford have the right to take over and settle a claim on his behalf. This means they can make a commercial decision about whether it's reasonable for them to defend a claim or not. This allows Watford to decide how to manage the claim and it mitigates the risk of claims racking up large, unrecoverable costs when it's unlikely an insurer will be able to recover the costs from another party. As this is a common term in most insurance policies, I don't find this to be unreasonable – provided Watford applied this fairly.

When Mr J reported the claim to Watford in July 2021, they explained that he would be at fault for the accident. They later followed this up in a letter to Mr J explaining that they would look to deal with the third-party driver's claim.

I do appreciate Mr J's concerns over the claim being received so long after the accident happened. But it's not uncommon in the insurance industry for delays like this to happen. And it's likely that the third-party claim was issued when it was due to the limitation periods that exist within civil claims. Put simply - the law requires a claimant to submit their claim within three years of the accident being claimed for.

I note a major concern of Mr J's is how much damage the third-party's vehicle sustained. He's particularly unhappy that the car was deemed a "total loss" – meaning the cost of repairs exceeded the value of the car. I can appreciate Mr J has said there was minimal damage to the other car, so I've looked at the claim form received from the third-party's solicitors to see if Watford acted fairly and reasonably. The third-party's car was 14 years old at the time of the accident and the total claim for damages was around £1,300. So, I don't consider this to be excessive or unreasonable. That's because an older car can be deemed a total loss even with a relatively small amount of damage sustained.

I appreciate Mr J's concerns over the claim being fraudulent. But having considered all the evidence provided as part of this complaint, as Watford had already confirmed liability, I don't find it unreasonable for them to have agreed and settled the claim in the way they did. It followed normal industry process and settled a low value claim in order to avoid any further costs being incurred. And I think Watford acted in the same way any insurer in the industry is likely to have acted in these circumstances.

This does mean the accident gets recorded as Mr J's fault and he would need to inform future insurers of this claim information. While I appreciate Mr J has said this accident has had an impact on his car insurance premiums increasing – I don't think this is because of anything Watford did wrong. And because I find that Watford correctly recorded this claim - it also means it wouldn't be fair or reasonable of me to direct Watford to remove this claim from Mr J's insurance records.

In respect of Watford's compensation payment of £100 for not informing Mr J they had reopened the claim – I find this to be a fair and reasonable sum that reflects the impact Watford's actions had. I'm therefore not going to direct them to increase this.

Finally, I can see Mr J also made a complaint around another incident from 2022 in which Watford recorded his car as being a total loss following an act of vandalism where his windows were smashed. Mr J ultimately chose not to make a claim and repair the damage himself. Mr J had a duty to inform Watford about any losses to his vehicle, even though he didn't make a claim. So, I find it fair and reasonable for Watford to have recorded the damage in the way they did, and I'm satisfied they acted in the same way any insurer in the industry would have done in the circumstances.

My final decision

For the reasons given above, my final decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr J to accept or reject my decision before 6 January 2025.

Stephen Howard

Ombudsman