

The complaint

Mr O is unhappy with the service provided by Watford Insurance Company Europe Limited (Watford) following a claim he made on his car insurance policy.

What happened

Mr O held car insurance through Watford. The policy booklet explained in the event of a theft claim, Watford would pay the market value of the car immediately before the loss. And the definition of 'market value' explained *"the retail market value based on current industry standard guides for purchasing or replacing, the insurer vehicle with one of the same make, model, age, trim level, recorded mileage and being in a similar condition..."*

In August 2024, Mr O contacted Watford to report his car had been stolen and he wanted to claim on the policy. Watford accepted the claim and provided a pre accident value (PAV) of £6,009. This was determined using the average figure of the trade guides it had considered.

Mr O was unhappy with the PAV. He said the amount Watford offered wasn't enough to fairly indemnify him. Mr O was also unhappy with the overall level of service he received from Watford. So, he referred the complaint to this Service for investigation.

Our Investigator reviewed the complaint and found in Mr O's favour. He said Watford's valuation didn't fairly reflect the PAV of Mr O's car and Watford should increase its offer to £6,848, the highest of the valuation guides Watford used. Our Investigator also felt the service Watford had provided to Mr O during the claims process had fallen short. So, he said Watford should pay an additional £100 in compensation for the trouble and upset caused.

Mr O accepted our Investigators findings, but Watford disagreed. It maintained it had valued the car fairly. So, it asked for an Ombudsman to consider the complaint.

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'd like to reassure the parties that although I've only summarised the background to this complaint, so not everything that has happened or been argued is set out above, I've read and considered everything that has been provided.

Market value

This Service's role isn't to work out exactly what the value of an individual car is. We look at whether the insurer has applied the terms of a policy correctly and valued the car fairly. Under the terms of Mr O's policy, Watford had to pay him the market value of the car, less the excess.

When deciding whether an insurer has offered fair market value for a car, we usually refer to the valuation guides. Valuation guides are based on extensive nationwide research of likely (but not actual) selling prices. They use advertised prices and auction prices to work out

what likely selling prices would have been. And we consider it good industry practice for insurers to use valuation guides (where possible) when valuing a car for claims purposes.

In September 2024, Watford hadn't recovered Mr O's car, so it decided to treat Mr O's claim as a total loss. And it used the valuation guides to determine the market value of Mr O's car. The values it obtained were £5,930, £6,088, and £6,848 respectively. Watford discounted the highest value of £6,848 because it said it was out of line with the two other values. And it used the average of the other two values (£5,930 and £6,088) and valued Mr O's car at £6,009.

I've considered the valuation guides Watford used when it determined the PAV of Mr O's car. I've also looked at the valuation guides this Service would usually refer to when dealing with complaints about market valuations, which included a fourth valuation from a different guide to what Watford considered. This gave a value of £6,723 for Mr O's car.

Given the recent competitive market for second-hand vehicle sales, this Service feels it's fair to rely on the highest valuation returned by the motor valuation guides. That is unless the insurer can show there is good reason to think a lower value/its value is fair. Here, the highest valuation returned by the guides is £6,848.

Watford has provided two adverts showing similar cars to Mr O's to support the PAV it offered was fair. But the type of car Mr O had was a popular make and model, so I'd expect to see a wider range of adverts of similar cars to show the PAV Watford offered is fair. It hasn't and I don't think two adverts of similar cars to Mr O's is sufficient evidence to support the PAV Watford offered is fair. So, I'm not persuaded these adverts can be relied upon.

Mr O has also provided adverts showing similar cars to his selling for more than the highest value produced by the guides. I've carefully considered these adverts. I've seen some of the cars have significantly lower mileage than that of Mr O's at the point of loss. I'm satisfied mileage is a significant contributing factor when determining what a fair and reasonable market value should be based on. So, I don't agree these are comparative examples that can be relied upon.

The other adverts Mr O has provided are of cars selling more recently, and not from around the date of loss. So, I'm not satisfied they're an accurate reflection of the market value of Mr O's car at the point it was stolen. Taking everything into consideration, I think the guide value of £6,848 is more reflective of the market value than the PAV Watford offered Mr O to settle the claim. It follows, I direct Watford to settle Mr O's motor insurance claim based on the valuation of £6,848 minus the policy excess.

Access to a courtesy car

Mr O says he wasn't given a courtesy car during the claims process, which meant he had to arrange alternative transport at a cost. He'd like Watford to cover this. But Mr O's policy explains a courtesy car isn't provided if the car is stolen. So, whilst I appreciate Mr O had to make alternative transport arrangements, I can't say Watford acted unreasonably in not providing him with a courtesy car. And the costs Mr O incurred are uninsured losses and not something Watford is liable to cover. So, I'm not directing Watford to cover these costs.

Policy cancellation

Mr O's policy explains if a new car isn't added to the policy within 14 days of settlement of a total loss claim, Watford will cancel the policy and retain the premiums. Mr O didn't add a car to the policy within 14 days, therefore by cancelling the policy and retaining the premium Mr O paid, Watford acted within the terms and conditions.

Although Watford acted within the terms of the policy, and cancellation is detailed within the policy documents, I am mindful that Mr O wasn't able to replace his car as a result of Watford reaching, in my view, an unfair valuation. This would have caused undue trouble and upset over and above what I'd expect to see in a normal claims process.

Mr O is also unhappy with the poor communications from Watford. He's particularly unhappy with its failure to provide an update on the claim. I haven't detailed everything here- but I've considered everything that Mr O has said about the impact on him. Our Investigator previously recommended Watford pay £100 in compensation. I think that's fair compensation in the circumstances. It follows, I direct Watford to pay Mr O £100 in compensation for the trouble and upset caused.

My final decision

For the reasons set out above I uphold this complaint. I direct Watford Insurance Company Europe Limited to settle the claim as follows:

- 1) Settle Mr O's motor insurance claim based on the valuation of £6,848 minus the policy excess.
- 2) Pay interest on the difference between the interim payment offered, and the final settlement amount. The interest should be calculated from 5 September 2024 (the date of Watford's initial payment offer) to the date of payment. The rate of interest is 8% simple interest per year*
- 3) Pay Mr O £100 in compensation for the trouble and upset caused.

*If Watford Insurance Company Europe Limited considers that it is required by HM Revenue & Customs to take off income tax from that interest, it should tell Mr O how much it has taken off. It should also give Mr O a certificate showing if he asks for one, so he can reclaim the tax from HM Revenue & Customs if appropriate.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr O to accept or reject my decision before 24 March 2025.

Adam Travers
Ombudsman