

The complaint

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

What happened

Mr R's car was stolen and not recovered, and he made a claim on his policy. Watford offered him £32,236.67, less the policy excess, in settlement of his claim. But Mr R was unhappy with this. He thought he couldn't replace his car for this amount. He thought it would cost about £35,000, as shown by adverts, to replace his car. He was also unhappy as he thought Watford had overestimated the mileage it used to obtain the valuation.

our investigator's view

Our Investigator recommended that the complaint should be upheld. He thought Watford had overestimated the car's mileage as it hadn't taken into account Mr R's explanation that he rarely used the car. He thought Watford should reasonably base its settlement for the car's market value on the motor valuation guides we use. And he thought it should increase its offer to the highest of the valuations provided by the motor guides with an amended mileage. He wasn't persuaded by the adverts provided that the valuation should be increased further.

Watford replied that it had estimated the mileage based on Mr R's stated annual usage. It said advertised prices for similar cars with lower mileages showed that its offer was fair and reasonable. Watford asked for an Ombudsman's review, so the complaint came to me for a final decision.

my provisional decision

After considering all the evidence, I issued a provisional decision on this complaint to Mr R and to Watford on 23 June 2025. I summarise my findings:

I could understand that Mr R wanted a fair settlement for the loss of his car. He said he'd seen similar cars advertised for about £35,000 and so he was disappointed with Watford's offer.

Mr R's policy provides for the car's market value in the case of its total loss. I could see that this is defined in the policy booklet as:

"The retail Market Value based on current industry standard guides for purchasing, or replacing, the insured vehicle with one of the same make, model, age, trim level, recorded mileage and being in a similar condition."

We don't provide valuations for cars but look to whether the insurer's offer is reasonable. In most cases, we assess the market value as the price which the consumer would have had to pay for a comparable vehicle across the various markets, immediately before the time of the damage or loss.

This could be slightly less than advertised retail prices, although this will depend on the most likely market for the particular age and model of vehicle. Because of recent changes in the market, we are increasingly hearing of cars selling either for or close to their advertised price.

Assessing the value of a used vehicle isn't an exact science. We generally find the valuations given in motor valuation guides most persuasive. These guides are based on extensive nationwide research of likely selling prices. We also take all other available evidence into account, for example, engineer's reports, advertised prices and independent valuations.

I could see there was disagreement about the car's mileage at the time of its loss. Mr R's car wasn't recovered, so Watford estimated its mileage in order to provide a valuation. Mr R had initially said the mileage was about 37,000. But Watford didn't think this could be accurate as the car's mileage at its last MOT before Mr R bought it was higher than this.

But Mr R later explained that the previous owner had traded in the car to the dealer shortly after this MOT and it had then not been driven much until he bought it four months later. He provided evidence to show the mileage recorded when he bought the car, which was 37,577.

Mr R then owned the car for about six months until it was stolen. Watford relied on the annual mileage provided by Mr R when he took out his policy to then estimate its likely mileage at the date of the theft. Mr R had estimated 7,000 miles a year, and so Watford thought half of this amount was reasonable. It rounded this down to the nearest thousand and used a mileage estimate of 41,000 to arrive at its valuation.

But Mr R disagreed with this. He said he'd noted the mileage was just 38,500 a few days before the loss. He said he rarely used the car except for special occasions and weekends, and he had another car at his disposal. He also said he'd been abroad for a month during this six months and the car remained unused during this time. And he said he'd planned longer trips in the car over the holiday period but hadn't undertaken them because of the theft.

I had no reason to disbelieve Mr R's account. But we're an evidence-based service. And where there's a lack of evidence, as in this case for the car's actual mileage, I had to rely upon what seemed most likely and reasonable. And Mr R had stated that he had no evidence to show that the car's mileage at the date of theft was about 38,500.

I noted that in Mr R's complaint to us he stated that the car had done 37,000 when he bought it, and he had added 1,500 miles during the time he owned it. This would tally with the 38,500 miles he recalled seeing just before the theft.

But Mr R's finance documents showed that the car had 37,577 miles when he bought it. And so Mr R added just under 1,000 miles in five months of use (allowing for one month abroad) if the mileage was 38,500 at the date of theft. Which meant Mr R drove the car for just 200 miles a month or about 50 miles a week. This seemed to me to be very light use for weekends and special occasions, especially given that Mr R had estimated his annual mileage as 7,000. And so I was not persuaded by Mr R's recollection of 38,500 miles.

As the car was stolen and not recovered it was not possible for us to accurately know what its mileage was at the time of loss. We did know what the mileage was when Mr R took out his finance, and we did know the declared annual usage of the car. Watford had confirmed that the average mileage for cars of this age is 49,000. Based on this information, I thought it was fair and reasonable for Watford to base the valuation on 41,000.

I then looked to see if Watford's settlement offer was fair and reasonable. The Investigator looked in the motor valuation guides we use for cars of the same make, model, age, mileage, condition and optional extras as Mr R's car at the date of its loss.

Given the current challenges in the used car market the motor valuation guides have a wider range of values than we have seen previously. And we think going by the highest will ensure consumers have received a fair offer, allowing them to replace their car with one of the same make, model and specification. So we now expect insurers to pay the highest of the guides, unless they are able to provide us with evidence which supports a lower valuation.

Watford had provided a valuation of £32,236.67 based on an estimated mileage of 41,000, which was close to the highest of the valuations provided by the guides. Mr R provided adverts for similar cars advertised at higher prices. I was not persuaded that Mr R's adverts justified an increase in the valuation as the mileages for the cars the same as his were much lower. But Watford had provided adverts for similar cars with lower mileages advertised at similar prices to its offer. So I was persuaded that Watford's offer was fair and reasonable as it was backed by its market research.

And so I then agreed that Watford's offer was fair and reasonable as it was made in keeping with our approach and the policy's terms and conditions. I didn't require it to increase this.

Subject to any further representations from Mr R and Watford, my provisional decision was that I intended to not uphold this 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.

Watford replied that it accepted my provisional decision. But Mr W replied very helpfully providing a photograph he'd taken of his car's dashboard dated two weeks before the theft. This showed the odometer with a mileage of 38,292. This was new evidence that hadn't previously been available.

I've shared this photograph and a further submission made by Mr R with Watford, but it hasn't made any further comments for me to consider. So I'm satisfied that this photograph provides evidence to reasonably confirm Mr R's testimony that the car's mileage a few days before the theft was 38,500. And so I'm now satisfied that Watford's valuation of the car's pre-loss market value should be based on this mileage.

Our Investigator previously thought that Watford should base its valuation on this mileage and should increase its settlement offer accordingly. And Watford had an opportunity to consider this, and its only objection was made due to the mileage issue, so I see no reason to issue a further provisional decision.

I've checked how the Investigator arrived at his conclusion. The Investigator looked in the motor valuation guides we use for cars of the same make, model, age, condition and optional extras as Mr R's car at the date of its loss, with the mileage at 38,500. Watford had made a valuation of £32,236.67. But the highest of the guides gave a valuation of £32,930.

Mr R and Watford provided adverts for similar cars advertised for a range of values at the date of Mr R's loss. And I've considered those where the cars are of the same age and mileage. But I don't find these adverts to be persuasive. This is because Watford's adverts don't show that Mr R could buy a similar car to his for its settlement offer. And Mr R's adverts don't persuade me that he couldn't replace his car for the highest valuation provided by the guides.

And so I'm satisfied that Watford should increase its valuation for Mr R's car to the highest valuation provided by the guides we use, £32,930. This means that Watford will have to pay Mr R £693.33 further in settlement of his claim. And because Mr R has been without his money for some time, I think it should reasonably add interest to this amount.

Putting things right

I require Watford Insurance Company Europe Limited to pay Mr R £693.33 further in settlement of his claim, adding interest to this amount at the rate of 8% simple per annum from the date of the interim settlement to the date of payment.

If Watford considers that it's required by HM Revenue & Customs to deduct income tax from that interest, it should tell Mr R how much it's taken off. It should also give Mr R 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 R to accept or reject my decision before 5 August 2025.

Phillip Berechree
Ombudsman