

The complaint

Mrs C complains that Watford Insurance Company Europe Limited accepted liability in full for a claim made on her motor insurance policy before the investigation was completed. She wants the claim changed to non-fault.

What happened

Mrs C was involved in an incident with another driver. She reported this to Watford, and it said she wasn't at fault. She didn't want to make a claim until liability was accepted by the other driver's insurer. Watford initially defended Mrs C's position but when it received the other driver's personal injury claim it accepted liability in full. This was before it had received a police report or a response to its allegations.

Mrs C was unhappy with this. Watford agreed it had mistakenly accepted liability in full whilst the investigation was still ongoing. And it offered Mrs C £100 compensation for this, which she rejected.

Our Investigator recommended that the complaint should be upheld. He thought there was no dispute that Watford had accepted liability prematurely. Watford said it couldn't withdraw the admission, and the best outcome would have been a 50/50 split liability settlement, which he agreed was reasonable so the fault claim should remain.

But he thought Watford had prejudiced the claim as it hadn't proposed a 50/50 settlement before accepting full liability. And he thought this had caused Mrs C significant trouble and upset and Watford should increase its compensation to £500.

Watford replied that its error hadn't caused Mrs C any financial detriment as the outcome for a full or split liability fault would be the same. And it thought £350 compensation for the trouble and upset caused was more reasonable. But Mrs C rejected this. As the parties didn't agree, the complaint has come to me for a final 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 see that Mrs C is adamant that she wasn't responsible for the accident. I can understand that Mrs C feels disappointed and upset by Watford's decision to accept liability for the accident, and by its change of decision.

The investigator has already explained that it isn't our role to decide who was responsible for causing the accident. This is the role of the courts. Instead, our role in complaints of this nature is simply to investigate how the insurer made the decision to settle the claim.

Did it act fairly and reasonably and in line with the terms and conditions of the policy? And has it treated Mrs C the same as someone else in her position.

As set out in Mrs C's policy booklet, Watford is entitled under the terms and conditions to take over, defend, or settle a claim as it sees fit. Mrs C has to follow its advice in connection with the settlement of a claim, whether she agrees with the outcome or not. This is a common term in motor insurance policies, and I do not find it unusual. Insurers are entitled to

take a commercial decision about whether it is reasonable to contest a third party claim or better to compromise.

That said, we expect an insurer to reasonably investigate a claim and consider the evidence available before making a decision on liability.

The evidence that Watford had to consider was Mrs C's version of events and the damage caused to the cars. There was no dashcam or CCTV evidence available. A cyclist had seen the aftermath but hadn't witnessed the actual collision. The police had attended and so Watford applied for a police report. Watford initially held Mrs C not at fault and it sent its allegations to the other insurer. This insurer later replied with a demand for repayment of its costs, including a personal injury claim.

Watford then accepted liability and paid this claim as it thought it wouldn't be able to defend it. But it hadn't yet had a response to Mrs C's version of events and hadn't received the police report. Watford had planned to accept liability on a without prejudice basis, but this was no longer possible as it had paid the personal injury claim. It paid the repairs claim to avoid further hire charges.

And so Watford had accepted liability prematurely and it hadn't warned Mrs C of this or given her opportunity to object or to present further evidence. And I think this prejudiced Mrs C's position.

I don't think it's unusual for an insurer to change its decision about liability after further consideration of the evidence or if new evidence is received. But in this case Watford's own file handlers disagreed about how the claim should be settled and I think its management of the claim caused Mrs C avoidable distress.

Watford accepts that it made a mistake. When an insurer makes an error, as I'm satisfied Watford has done here, we expect it to restore the consumer's position as far as it's possible to do so, and we expect it to compensate the consumer for the impact of the error.

The other driver's insurer provided a version of events that conflicted with Mrs C's account. The police report didn't add any further evidence for Watford to consider. As it was one driver's word against the other's, I think LV reasonably concluded that the best possible outcome would be 50/50 split liability. This would still be a fault against Mrs C and would have had the same effect on her future premiums. So I don't think Watford needs to do anything further to restore Mrs C's position.

But I'm persuaded that the error had a considerable impact on Mrs C:

- Watford set her expectations that she would be held not at fault. The subsequent accidental settlement agreement was made without full investigation or consideration. And I think this caused Mrs C avoidable distress.
- Mrs C was caused a loss of expectation as she was led to believe by several advisors that non-fault would be likely.
- Mrs C wasn't informed of the acceptance of liability and only found out when she chased Watford for an update, causing her understandable distress.
- The file handler told Mrs C after fault had been accepted that they believed the investigation should've continued. So Mrs C was left distressed thinking the claim could've gone her way and this chance had been taken from her as a result of a mistake.
- Mrs C had to make several more and longer phone calls than would usually be considered reasonable in a claim to obtain updates, causing her inconvenience.
- Mrs C believed the decision Watford made was a mistake and therefore incorrect and so she went out of her way to compile her own evidence to dispute this.

Watford offered Mrs C £100 compensation for the impact of its error. But I'm not satisfied that this is fair and reasonable for the impact the error had on Mrs C. Our Investigator recommended £500 compensation. And I think that's in keeping with our published guidance where an error has had considerable impact over some months. And so I think that's fair and reasonable.

Mrs C has raised further concerns about the handling of her claim and delays in making a settlement. But she would need to firstly raise these concerns with Watford to give it a chance to respond. If she remains unhappy, then she can bring her complaint to us.

Putting things right

I require Watford Insurance Company Europe Limited to pay Mrs C £500 (in total) compensation for the distress and inconvenience caused by its level of service.

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 Mrs C to accept or reject my decision before 23 October 2025.

Phillip Berechree
Ombudsman