

The complaint

Mr B complains about how Watford Insurance Company Europe Limited ('Watford') handled a claim and decided liability under his car insurance policy. When I mention Watford I also mean the companies working on its behalf.

What happened

Mr B had a car insurance policy with Watford. He bought the policy via a broker.

In early January 2025, Mr B was involved in a collision with a third party vehicle.

Damage was caused to his car. He contacted Watford and told it about what had happened. He asked about making a claim for his car, but said he didn't want to when Watford assessed it was likely to write off his car.

Watford said it thought liability for the collision would be in dispute.

He claimed directly from the third party and their insurer for injury he'd suffered. Watford asked Mr B to keep it up to date.

A short time later, the third party contacted Watford, apparently via an accident management company, and made a claim. Watford assessed it, asked Mr B for more information, and settled the third party's claim on a 'without prejudice' basis.

Watford told Mr B that the third party had made a claim against him. It told him it would reduce his No Claims Discount ('NCD') by two years.

Mr B complained. He told Watford the Third Party Insurer (TPI) had already paid him for his injury claim. He provided evidence to Watford.

Watford asked for the third party to send its money back. It said it couldn't reinstate Mr B's NCD until this happened and the TPI confirmed it accepted liability.

At renewal, Mr B bought a policy from another company with his reduced NCD which cost him more money.

As Mr B remained unhappy, he brought his complaint to this service. Our investigator looked into it and thought that it wouldn't be upheld.

Mr B asked that his complaint was reviewed by an ombudsman, so it's been passed to me to make a 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'm not upholding Mr B's complaint and I'll explain why I've made this decision as I

appreciate it'll be disappointing for him.

I'd like to assure both parties that I've read the complete file, even if I don't refer to it here. This is in line with our informal approach.

Looking at the start of Mr B's claim, I can see his calls to Watford were handled in line with his wishes. Mr B took action against the third party directly, and was awarded damages based on that approach.

When the third party approached Watford, its claims handler asked Mr B for his version of events. The claims handler established that they didn't think they could successfully defend the claim at that point, and made the decision to settle the claim to keep costs low. I think this decision is fair.

When Mr B found out that the claim had been paid, which would have an impact on his NCD, he complained.

Watford's response was to recover the money it had paid to the third party. But the impact on Mr B was that his NCD wouldn't be reinstated until the refund came, and Mr B's policy had come around to renewal in the meantime. I can see from the file that Mr B's NCD was allowed and liability admitted by the TPI.

I've thought about this. I don't think it's fair I say that Watford acted unreasonably here. It didn't know about Mr B's successful claim against the third party, so it acted in line with its processes when it agreed to settle with the third party.

But when it became aware of the situation, when Mr B told it, it was able to reverse the payment and allow Mr B's NCD.

What this means for Mr B is that he had to buy a policy at renewal based on a reduced NCD. He's also complained about having to pay a higher price. I'd comment that it's not the role of this service to interfere in the rates charged by insurers, and I'd also say that NCD is one factor that's typically used to arrive at a premium. Another factor is likely that Mr B had been involved in a collision.

It's my understanding that Mr B bought a policy elsewhere at renewal. What he should find is that, if he discusses the reinstatement of his NCD and removal of 'fault' liability from his record, his current insurer should adjust his premium accordingly.

I can see in the file that, when Mr B attempted this, his new insurer told him his policy would need to be requoted as a new policy and the price would be higher even with more NCD. I sympathise with Mr B here but I can't fairly say Watford is at fault for the actions of this other insurer.

If Mr B wishes, he may be able to bring a complaint against his new insurer about the adjustment of his NCD, and this service would support this approach.

For the reasons set out above, I don't think Watford acted unfairly in how it dealt with Mr B's claim and decision on liability, so I'm not upholding this complaint.

My final decision

It's my final decision that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or

reject my decision before 17 February 2026.

Richard Sowden
Ombudsman