

The complaint

Mr C is complaining a company acting on Watford Insurance Company Europe Limited's behalf didn't give him enough information when referring him to an accident management company after he looked to claim against his motor insurance policy.

References to Watford also refers to companies acting on Watford's behalf.

What happened

In May 2025 Mr C contacted Watford to say he'd been involved in a non-fault accident and was looking to claim for the damage to his car. Watford gave Mr C three choices:

1. Claim against his car insurance policy. In doing so, he'd have to pay his excess of £1,000 and it would impact his No Claims Bonus ('NCB').
2. Have a claims management company ('CMC') deal with the claim. In doing so, he wouldn't be claiming through his policy, so he wouldn't have to pay his excess, it wouldn't impact his NCB and he'd be given a like-for-like replacement vehicle.
3. Claim directly through the third party's insurance.

Mr C chose to claim through the CMC. However, he later became concerned with what was happening with the claim so he contacted Watford who offered to take over the claim and deal with it under his policy. The claim was ultimately passed back to Watford to claim for the loss through the insurance policy. Mr C since complained about the handling of the claim as a whole. In summary he raised the following:

- Watford didn't explain that, while he would have to pay his excess and his NCB would be affected, it could recover this directly back from the third party's insurer. And he says he would have claimed through his insurance policy had it explained this.
- The CMC handled the claim poorly. He said there were long delays in it initially looking to settle the claim. But it then said it would write the car off. He didn't agree the car wasn't repairable and he thought it had undervalued the car – it valued it at £7,500.
- When Watford took over the claim it gave him the impression it would repair the car, but then said it would write it off. While it valued the car higher (at £10,539), he still thought it had undervalued it. He considered a fairer valuation to be around £12,000.
- He says the CMC told him he could have the car back and have it repaired. But Watford told him this wasn't possible. But he thinks it should be repaired. He said the only damage was to the right rear light, bumper area so he thought the car was easily repairable.
- He never understood at any point who was dealing with his claim – whether it was the CMC, Watford or the salvage agent.

Watford recognised it had caused around a month's delay in sending the car to the garage for inspection. And it offered to pay £75 in compensation for that. But, other than that, it didn't think it acted unfairly. Mr C didn't agree, so he referred his complaint to this Service.

Our Investigator upheld this complaint and, in summary, said the following:

- He thought Watford had explained that it could look to recover the excess and its outlay from the third party. He said it also explained the benefits of using the CMC. But he didn't think it had set out the risks to doing so. In particular he said Watford had told Mr C there weren't any disadvantages to doing so. But he set out that, as Mr C was entering into a credit hire arrangement, he could become liable for the hire charges if the CMC couldn't recover them from the third party's insurer. He also said it didn't explain that Mr C would have lost the right to use this Service.
- He was persuaded that Mr C would have claimed through his insurance policy if given clearer information.
- He said the CMC undervalued Mr C's car in the first instance and there was a delay in Mr C's claim being settled. He didn't think this would have happened had Mr C claimed through his insurance policy in the first instance.
- Watford initially undervalued the car, but later increased it to the highest of the valuation guides. While it ultimately put things right, he thought Watford should have settled at the highest valuation guide figure in the first instance.
- He noted Watford had deducted the balance of his premium finance agreement from the claim settlement. He recognised it had the right to do that, but he thought it should have given Mr C the option to continue to pay the premium finance over the full 12 month period.
- There was inconsistent information given to Mr C with him being told the car would be written off, then repaired and then written off again.
- He did recognise that, while the process was distressing, Mr C did have a hire car to get around during this time.
- He thought Watford should increase its compensation to £500.

Mr C accepted the Investigator's opinion. But Watford didn't agree. It reiterated it had given Mr C a clear and fair choice to either use his insurance policy or refer the claim to the CMC. It said it had explained all the options clearly and fairly and Mr C had chosen to use the CMC. And it said Mr C had asked pertinent questions to ensure he had the information he needed to make a choice. And throughout the call, Mr C suggested he was satisfied with using the CMC. It said its staff can't be expected to know what's contained within a credit hire agreement. So he didn't think it was fair to hold it responsible for the CMC's actions.

Watford also set out that a lot of the delays were down to the third party's insurer not responding to the claim. It said it can't be held responsible for that. However, it said it was willing to increase the compensation to £150 as a means to resolve the complaint.

As Watford didn't agree with the Investigator, the complaint'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.

I've decided to uphold this complaint for all the reasons the Investigator has set out. I'll now explain why.

I should first set out that I acknowledge I've summarised Mr C's complaint in a lot less detail than he's presented it. Mr C has raised a number of reasons about why he's unhappy with the way Watford has handled this matter. I've not commented on each and every point he's raised. Instead I've focussed on what I consider to be the key points I need to think about – in particular I've focussed on the core issues that remain in dispute. I don't mean any discourtesy about this, but it simply reflects the informal nature of this Service. I assure Mr C and Watford, however, that I have read and considered everything they've provided.

Ultimately, the only aspect of the Investigator's opinion that either party has disputed is whether Watford provided Mr C with enough information to make an informed choice about whether to claim through his insurance policy or through the CMC. So this is what I've considered in this decision.

I've considered Watford's response to the Investigator's opinion. But I don't agree it did enough to inform Mr C here. Insurers are required to give consumers all the information they need, at the right time, and presented in a way they can understand. In this case I would have expected, as a minimum, that Mr C would have been told the following:

- In entering into a credit hire agreement, he wasn't claiming through his insurance policy, but he had the option to do so. And he should have been given a clear choice about whether he wanted to claim through his insurance policy instead.
- The credit hire provider was a separate business to the insurer.
- He may be liable for any outlay – including hire charges – if they're unable to recover the costs from the third party.
- As he was stepping outside of his regulated insurance policy he may not be able to refer any complaint he may have to this Service.

In short, I would have expected Mr C to have had explained to him what the benefits and risks of using credit hire were, as well as explaining his rights under the insurance policy. Watford has said its staff can't be expected to know what's in the terms of a credit hire agreement. But it's Watford's responsibility to ensure they do.

I recognise Watford did explain Mr C had three options and it did advise Mr C it could recover the excess from the third party's insurer if he claimed through his insurance policy. So it did go a long way in explaining his options. But I haven't seen anything to show it explained any of the risks in using credit hire. And, in fact, Mr C specifically asked if using the CMC was a good option and the call handler said there weren't any risks to doing so. But that's not true as Mr C could have become liable for the hire charges if the third party didn't settle them, he may have had to attend court to support the CMC and he didn't have any recourse to this Service if anything went wrong.

As I said, Mr C asked questions to understand whether it was a good option to use the CMC, which suggests he wanted a clear understanding of it. And for the reasons I set out above, I don't think Watford gave him this. I'm not persuaded he would have chosen to use the CMC had the risks been explained.

The Investigator has set out all the issues Mr C has had as a result of this. Neither party has provided any material comment surrounding them. And I think it's a fair reflection of what's happened.

I've considered Watford's comment that it can't be held responsible for the delays caused by the third party. And I agree Watford isn't liable for the third party's actions. But, had Mr C claimed through his insurance policy, he would have been able to receive a settlement straightaway. But he didn't and, instead, there was a significant time frame where he waited for this to be resolved. I recognise he had a hire car in this time, so it didn't impact his ability to remain mobile. But the delays would have added to his distress.

Ultimately, the Investigator thought Watford should pay Mr C £500 in compensation. And I don't see any reason to award anything different to that.

My final decision

For the reasons I've set out above, it's my final decision that I uphold this complaint and I require Watford Insurance Company Europe Limited to pay Mr C £500 in compensation. I make no further award.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C to accept or reject my decision before 16 February 2026.

Guy Mitchell

Ombudsman