

## **The complaint**

Mr L complained about how Watford Insurance Company Europe Limited handled a third party claim on his motor insurance policy.

## **What happened**

Watford received a claim from a third party that Mr L had damaged their car in an incident. Mr L was unhappy when Watford paid the third party's claim. He said the accident was the third party's fault, and their claim was exaggerated and potentially fraudulent. He said it meant his premiums increased, he lost his no claims discount (NCD), his car's value had decreased, and the situation had affected his mental health. He wanted Watford to reimburse his increased premiums, reinstate his NCD, remove any fault marker from his insurance record, and compensate him about £15,000 for his financial and emotional disadvantage. He was also unhappy about Watford's service. He said they didn't keep him up to date about progress and made their liability decision without his knowledge or consent.

Watford apologised for lack of updates and agreed that their communication could have been better. They offered him £100 in compensation for that. But they stood by their decision to settle the third-party claim. They said they'd acted in line with their policy.

The investigator didn't recommend that the complaint should be upheld. They thought that Watford had acted fairly and reasonably. Mr L didn't agree and so I've been asked to decide.

Mr L also complained that Watford didn't log or deal with his complaint as soon as he made it, though they did later. As a complaint about administrative delay in complaint handling that's not something that this Service can consider so I don't deal with it here.

## **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.

As the investigator explained, we don't decide which party is liable for causing an incident. That's because that is a matter for the courts. But we do consider whether an insurer has acted in line with their policy terms, and whether they reached their decision in a fair and reasonable way. In this case, as the investigator also explained, Mr L's policy does give Watford discretion to decide liability and take over and deal with the defence and settlement of any claim. This means that Watford can decide to settle whether Mr L agrees with the outcome or not. They don't require Mr L's instructions or consent to do that. This is a common term in motor insurance policies, and I don't find it unusual. Insurers are entitled to make a commercial decision about whether it's reasonable to contest a third party claim or better to compromise. That said, we expect an insurer to reasonably investigate a claim before making its decision.

Mr L said that Watford settled before hearing his version of events, before receiving his completed claim form, and before doing a damage consistency review.

Watford first heard about the incident from the third party. Mr L had not reported it to them, although it's a condition of his policy that he notify them within 24 hours of any incident regardless of how trivial and regardless of blame, and whether or not he wished to make a claim.

Watford called Mr L but couldn't reach him. So they contacted him in writing asking him to contact them. When they received no reply from Mr L they called again and wrote again. They explained their legal duty to deal with the claim and, that as the evidence suggested the incident had been Mr L's fault, that they would have to settle it in the next seven days on the best terms possible if they didn't hear from him. When Watford still didn't hear, they did settle part of the third party's claim.

About a month later Watford contacted Mr L again, by phone and in writing. A few days later he did reply to them. He said he didn't receive any letters or written contact from Watford, and if he had, he would have contacted them immediately to give his version of events. But Watford have shown us copies of them and they use the correct contact details for Mr L. If Mr L didn't receive those, I've not been shown that it was due to any mistake on Watford's part. So Watford would have had no knowledge if they hadn't been received. They did have a legal duty to deal with a third party claim made against their insured, whether or not they had heard from him. They did what they should have done to inform Mr L about the third party claim and what they would have to do if they didn't hear from him. So as far as Watford were concerned he hadn't reported the incident, and they had not heard from him despite their reasonable attempts to contact him using the contact information he given them. From their perspective, given the lack of contact from Mr L, I don't think they were unreasonable to progress the claim and part settle it.

When Mr L did contact Watford, he said that he had been stationary when the other driver had "rear-ended" his car. Their files say he told them that the third party's vehicle had not made contact with his. At that point, the claim was still open, and Watford did investigate it further. They sent him an accident form to complete, but he said it went to his "spam" folder, and he didn't see it so didn't return it.

Later Mr L said, "*I never said there was no damage — there was contact*" but the third party was claiming for pre-existing or unrelated damage to their car "*in addition to the minor damage that actually occurred.*" He queried how there could be over £4,000 worth of damage to the third party's car but none to his. However Watford's engineer's report said there was damage to his car and Watford said the claim cost they'd paid were not for repair but for other elements of the claim, such as car hire costs.

As part of their investigation Watford had an engineer inspect Mr L's car and look at the third party engineer's report. Watford's engineer confirmed damage to Mr L's car's rear bumper consistent with an impact but recommended that Watford get the other car inspected for damage consistency and clarify some measurements. Watford didn't do this and settled a further part of the third party's claim anyway. Mr L thinks was unfair. However Mr L had acknowledged that there was an incident, that their cars had made contact, and that the third party's car was damaged. The third party engineer report confirmed that the third party's car was damaged. And although Mr L said that there was no damage to his car from the incident, Watford's engineer's report confirmed that Mr L's car rear bumper did have damage. Watford did have Mr L's version of events. Because liability remained in dispute, and there were no independent witnesses, it was not unreasonable in these circumstances for Watford to decide that they could not be confident that they could successfully defend the case and that it was more economic to pay a further settlement amount to the third party to avoid further costs rather than investigating further and defending it. Watford were entitled to make an economic decision to settle as they did to minimise further costs.

Watford have confirmed that they didn't settle the claim as 100% liability on Mr L's part , and that liability remained in dispute. They said that because they settled under a protocol agreement, they hadn't made a formal admission of liability at all and there might still be an opportunity to defend the case. However, they considered that would require substantial evidence for them to be able to do so.

Mr L said that Watford's actions had a significant emotional and financial impact on him and his day-to-day life. The burden of increased premiums caused financial stress and made it prohibitive to insure a car or a motorbike so he couldn't do a hobby he enjoyed. He felt that the £100 compensation Watford offered did not recognise the damage their actions caused.

I do see that the matter has had an effect on Mr L and I sympathise with that. I can see that it is a difficult situation, particularly for a young driver, and I realise he is likely to find my decision disappointing. But I'm looking here at whether Watford did anything wrong, and I can't say that they did. They reasonably investigated and considered the evidence as above before settling and they acted in line with their policy. Even though at the later stages of the claim they accepted that their level of service could have been better on some occasions, I agree with the investigator's view that those were not significant and that overall the level of compensation Watford have offered does fairly reflect the inconvenience caused by that. This means that I don't ask Watford to do anything more.

### **My final decision**

For the reasons I've given above, it's my final decision that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr L to accept or reject my decision before 20 April 2026.



Rosslyn Scott  
**Ombudsman**