

## **The complaint**

Mr D has complained that London General Insurance Company Limited (London General) declined a claim on his motor warranty insurance policy.

Reference to London General includes its agents.

## **What happened**

Mr D took out an extended motor warranty with London General following the expiry of his dealership warranty in October 2020. In November 2020 he was driving to work when he heard a loud noise from the engine of his car. There was a lot of smoke and a reduction in power. He pulled over and his vehicle was recovered to a motor warranty approved garage where he was informed that the engine turbo had failed.

London General sent the turbo for an inspection and the inspecting engineer thought it had failed due to a pre-existing issue. London General said the cause of failure was a carbon build up that pre-dated the start of the policy, so it declined the claim.

But Mr D disagreed. He provided a report from an independent garage which said that the impellor nut had become detached from the impellor shaft. It said this had damaged the impellor, and then became lodged within the EGR valve. This caused the valve to stay open, allowing excessive oil into the DPF and exhaust system. They thought this a sudden and unforeseen failure.

An investigator reviewed this complaint and said he was more persuaded by the report provided by Mr D. He said London General should reconsider the claim in line with the remaining terms and conditions of the policy. The investigator said if the claim is ultimately paid, interest should be added to any settlement. The investigator also said that London General should pay £200 in compensation for the inconvenience Mr D had suffered.

However, London General doesn't agree, and its asked for an ombudsman to review the 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.

Having done so, I'm upholding it. I'll explain why.

London General's policy terms set out Mechanical Breakdown as follows: *"The sudden and unforeseen failure of a component, not by wear and tear, normal deterioration or negligence. We are not liable for parts that have reached the end of their normal working lives because of age or usage".*

It also says that it won't provide cover for any faults that existed prior to the start date.

According to Mr D, this was a sudden and unforeseen failure. His vehicle was approximately four years old and had roughly 40k miles on the clock. He says he was driving to work, and he heard a loud bang from the engine. There was no prior engine management warning before this and neither party has presented any evidence of any previous issues. London General has accepted the full-service history for the vehicle.

In its final response London General says that the turbo report states the turbo failed as a result of carbonisation. It says carbon build-up does not occur suddenly and that it's plausible to conclude the failure had existed before the policy started. It says the actuator teeth also failed as a result of the carbon build up.

However, having read the turbo report commissioned by London General, it actually says *"turbo has failed due to excessive carbon and a faulty actuator"*

The report from Mr D's garage which was written after the turbo was dismantled, acknowledges that there was a carbon build-up. However it also says: *"Our concern was why the nut had become detached from the impellor shaft and damaging the impellor, and also became lodged within the egr valve causing it to stay open and allowing excessive oil into the dpf and exhaust system, in our experience, we see no reason how or why this was due to carbonisation as it seems to be more likely that the turbo has failed. We have images to support this and have supplied to the customer"*.

We asked London General to give us its thoughts on the above statement. And London General said: *"The turbo specialist also stated that the fact the nut had come off was irrelevant, as the sequence of the failure was: "turbo has carboned up and began to stick – the actuator has started to eat its gears away trying to force the mechanism – turbocharger has over worked (gone too fast) turbo cannot regulate itself –compressor wheel has come into contact with the compressor housing, coming to holt, (sic)nose nut has unwound and gone into pipework – turbo now out of balance and shook itself to cause the damage and state it is in."* This was referred to our Senior Engineer, who confirmed that the turbo specialists concluded carbon as the underlying causal and the repairer had no explanation, other than agreeing with the impact/shock loosening suggested by the turbo specialist. Whichever way the claim was looked at, the level of carbon build up did not manifest itself in the very limited miles (356) on risk, so the claim remained declined as the causal was pre-existing".

So, I had a look at the photos provided to see what I could see. You can see the impellor shaft, minus the centre/nose nut. You can also see uneven wear on the impellers, which would indicate carbonisation of some sort. You can also see the errand centre/nose nut has gone down into the turbo and is jammed behind a metal plate.

However, the most compelling evidence for me is the impact damage that can be seen on two of the impellor fins. This damage was not caused by consistent impact across a carbon build-up. This damage has been caused by an impact at high speed, which is most likely to have happened when the centre/nose nut of the impellor came into contact with the impellor itself. And for this type of damage to have happened I think it's more likely than not that the impellor was moving. But this wouldn't necessarily fit in with what London General have said. London General maintain that the impellor had become stuck due to the carbonisation, and the nut had unwound itself. And whereas this might be a plausible theory, the evidence would suggest that the impellor was still moving when the nut came loose, thus causing sudden and unforeseen damage.

I can see why London General has declined this claim. But I don't think it's done so fairly. Every working turbo I've ever seen has evidence of carbon build up, and its clear carbon was building up in this turbo. But I don't think the impellor damage in the pictures was

caused solely by carbon build up. The type of damage seen in these photos would only be seen following an impact at high speeds. So, either the impellor has impacted with the loose nut, or, the nut flew off and the impellor went off balance impacting with the turbo housing. But either way, the impellor was in operation at the time and hadn't come to a halt as indicated by London General. The main damage looks like a sudden impact.

For London General to be able to decline this claim based on the term it set out in its policy, it would need to be able to prove that carbon build-up was the primary cause of the turbo failure. And given the evidence presented this is not the case. So, London General should reconsider the claim in line with the remaining terms and conditions of the policy.

I note Mr D has now sold this car, and this will impact London General's ability to inspect the car further. But it was Mr D's car and he was free to sell it. So, London General must now reassess the claim considering all remaining terms in the policy using the evidence that remains available. If London General deems the claim valid it should pay the claim up to the required claim limits less any excess payable. Simple interest of 8% should be paid on any amount payable to Mr D.

I'm also recommending that London General pay Mr D £200 in compensation for the inconvenience caused when it declined this claim. Mr D had to take out a loan to repair his vehicle whilst London General was reviewing its decision. As a frontline worker during a global pandemic he needed a car and hire costs were becoming unaffordable, so he had no choice but to repair it. So, I think £200 for the inconvenience suffered by Mr D is a fair and reasonable amount.

### **My final decision**

My final decision is that I uphold this complaint. I require London General Insurance Company Limited to:

- Reconsider the claim in line with the remaining terms and conditions of the policy. If the claim is deemed payable, it should be paid up to any set claim limits, less excess payable. 8% simple interest should be added to this amount from date of claim to date of settlement.
- Pay £200 in compensation for the distress and inconvenience Mr D has suffered.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr D to accept or reject my decision before 16 March 2022.

Derek Dunne  
**Ombudsman**