

The complaint

Mr K complains that Society of Lloyd's unfairly turned down a claim on his agricultural vehicle insurance policy.

For ease of reading, reference to Lloyd's will include anything done by the underwriters.

What happened

Mr K's baler suffered damage while being used so he took it to be repaired. This was to reduce the amount of time he was without the vehicle during harvest time and limit the financial impact to him. To enable Lloyd's to assess the claim the damaged parts were kept, and a claim submitted to Lloyd's.

Around five months later Lloyds sent an engineer to inspect the damaged parts as it wasn't satisfied with the photos supplied. Unfortunately, due to the time which had passed some of the parts had disappeared and only the drive shaft was available for inspection. Lloyd's engineer inspected the part and said they thought the part failed due to mechanical breakdown. Because of this Lloyds turned down the claim.

Mr K didn't think this was fair and complained. He said it was clear from the photos the vehicle had suffered accidental damage and that this was likely caused by a wheel going into a rut and the vehicle hitting the floor. Lloyds reviewed the complaint and didn't uphold it. It said some of the delay had been caused by Mr K not providing more information when it had been asked for but acknowledged some delays in the claim were Lloyd's fault.

Because of this Lloyd's offered £175 compensation for the delays. Lloyd's maintained that the claim had been fairly declined as it had based the decision on an engineer's report which said the part had failed due to mechanical breakdown. Lloyd's also said Mr K could have another engineer review the claim if he disagreed.

Mr K didn't think this was fair and brought his complaint here. He said it was normal practice to go ahead and repair the vehicle and that it was clear it had suffered accidental damage. He also didn't agree it was a mechanical breakdown and said he was out of pocket by £6,620.30 which he paid for repairs.

I issued a provisional decision on this complaint on 3 March 2022 where I said:

"Mr K has a comprehensive policy which covers him for accidental damage to his agricultural machinery. It doesn't seem to be in dispute that Mr K's baler was likely damaged when a wheel fell into a hole or rut and caused the machine to come into contact with the ground. Therefore, any resulting damage would be covered by the policy unless an exclusion applies.

Lloyd's has said the policy doesn't cover wear and tear or mechanical breakdown. The terms of Mr K's policy say:

"This section of your insurance does not cover the following:..

3. Wear and tear

4. Failures, breakdowns or breakages of mechanical, electrical, electronic or computer equipment”

Lloyd’s said it turned down Mr K’s claim as the engineer who inspected a failed part said it had failed due to mechanical breakdown. I’ve reviewed this report and the engineer says:

“It is my considered opinion that the damage observed is as a consequence of mechanical failure of the drive shaft and as such would not be covered by the terms of the insurance policy.”

While I agree the engineer who inspected the part’s opinion is that it’s failed due to mechanical failure, I’ve also considered the comments from the repairer of Mr K’s baler. The repairer said:

“The damage was clearly caused by the pick-up coming into contact with the ground.”

They go onto say this is because a wheel has dropped into a rut or hole which allowed the pickup to hit the ground with some force.

From considering all of the information I’m not persuaded Lloyd’s has shown it’s fair and reasonable to rely on the mechanical breakdown exclusion to turn down Mr K’s claim. I say this because the engineer’s report doesn’t explain why their opinion is the part has failed due to mechanical failure. Furthermore, the engineer only comments on one part, whereas the repairer saw all the parts and has given their opinion the damage being due to part of the baler coming into contact of the ground.

I’ve also considered the wear and tear exclusion Lloyd’s mentioned. However, it hasn’t provided anything to support that this exclusion would apply. So, it follows I’m also not persuaded it’s fair and reasonable to rely on it.

Mr K said he paid £6,620.30 to repair the baler. As I’m not satisfied Lloyd’s has shown it’s fair and reasonable to turn down the claim, Lloyd’s needs to pay Mr K this amount. Lloyd’s should also add 8% simple interest per year to this amount, calculated from the date Mr K paid it until the date Lloyd’s makes payment, to compensate him for not having the money.

In regard to the delay in assessing the claim I can see Lloyd’s has offered £175 compensation for this. I’m satisfied this is a fair and reasonable amount to compensate Mr K for the delays, so I’m not going to tell Lloyd’s to pay anymore.”

Lloyd’s responded and didn’t agree. It provided a detailed response which said it thought that if the engineer’s report was read as a whole then it evidenced the part failed due to mechanical failure and had wear marks from continued use after the bracket had broken off.

Lloyd’s also said it wasn’t fair to say the engineers report wasn’t as persuasive as they’d only inspected one part and it thought the report did explain why it was fair to decline the claim for wear and tear. Finally, Lloyd’s said its engineer was more qualified than the repairer and that Mr K hadn’t obtained his own alternative report.

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 considered Lloyd's response, but it hasn't persuaded me to change my mind. I would like to assure Lloyd's that I have read its engineer's report in its entirety although, I have only quoted part of it. The reason I'm not persuaded to depart from my provisional decision is because, while I agree the engineer has said it's their opinion the part failed due to mechanical breakdown and wear and tear, the report hasn't explained the reasons why the part failed due to mechanical breakdown, or wear and tear, to persuade me that's what's happened here.

I've also considered Lloyd's point that the report shows continued wear to the damaged area following the bracket breaking off, but the report doesn't explain why that means it's failed due to mechanical breakdown or wear and tear. I also think it's only fair and reasonable to rely on the exclusion of wear and tear if a part has reached the end of its normal working life. And Lloyd's hasn't shown that is the case here, so I'm not satisfied it's shown it's fair and reasonable to decline the claim for wear and tear.

I appreciate Lloyd's thinks its engineer is more qualified than the repairer, but I've also had to consider that Lloyd's engineer only saw one part when assessing the claim. Lloyd's also said the repairer Mr K used isn't independent. However, I think Lloyd's engineer acted as its agent in the same way that the repairer acted as Mr K's agent. So, I have considered the reports with equal weighting in terms of their independence.

Finally, I've considered Lloyd's point that Mr K hasn't provided an alternative engineer's report to dispute its engineer's. As Lloyd's is relying on an exclusion to turn down the claim the onus is on Lloyd's to show that it's fair and reasonable to do so. And as I'm not persuaded Lloyd's has done that, I'm not satisfied it's fair and reasonable to turn down the claim for the reasons given. I'm therefore not persuaded to depart from the findings in my provisional decision.

My final decision

For the reasons explained above, my final decision is that I uphold this complaint. I require to Society of Lloyd's to pay Mr K:

- £6,620.30 for the repairs to his baler, plus 8% simple interest per year on this amount calculated from the date he paid it until the date it makes payment
- £175 compensation for distress and inconvenience, if not already done so

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr K to accept or reject my decision before 22 April 2022.

Alex Newman
Ombudsman