

The complaint

Mr P complains that AWP P&C SA (AWP) has declined a claim on his motor warranty insurance policy.

What happened

Mr P's vehicle was taken in for a repair and the garage recommended that the rear drive shafts needed replacing. Mr P submitted a claim on his motor warranty policy for the drive shafts, but the claim was declined as it was deemed the drive shafts had failed due to corrosion. Corrosion is excluded from cover.

Mr P doesn't think this is fair. He says he has a comprehensive warranty and that wear and tear is covered under the level of warranty cover he has. Mr P says that corrosion is in effect wear and tear and should be covered. He also says that under the specific wording that relates solely to his level of cover, corrosion is not excluded, and by excluding corrosion, AWP is breaching the terms of its own policy.

However, AWP continue to decline the claim. So, Mr P brought his complaint to this service. An investigator investigated the complaint and said that AWP hadn't done anything wrong by declining the claim.

Mr P doesn't agree, and he's 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 not upholding this complaint. I'll explain why.

The crux of this complaint is whether AWP has acted fairly and reasonably by declining the claim under the terms and conditions of this policy.

I've watched the video taken by the repairer. The video shows both rear drive shafts in place when the vehicle is raised. The repairer says the ring from the drive shaft is damaged, both sides. He says both will require replacement along with the ABS sensors. Both drive shafts are clearly showing signs of corrosion in the video.

The link to the video is attached to an email from the repairer. This email says *"The drive shaft is metal and is exposed to the elements of road moisture and salt etc. This exposure over time will cause corrosion to develop on the drive shaft. The corrosion expands the size of the drive shaft and cause contact on the ABS speed sensors at the ends. This causes damage to the sensors"*. So, the drive shafts and sensors need replacing, and from the video I've seen, and the accompanying email from the repairer, they need to be replaced because they've been damaged by corrosion.

Mr P doesn't question the presence of corrosion on the drive shafts. He has made two arguments as to why this failure should be covered. Firstly, he says that corrosion is the same as wear and tear and that any effort to separate corrosion from wear and tear is a technicality used by AWP to enable it to decline claims. He says the failure is due to normal degradation, and this is covered under the level of cover he has. He says a covered part has failed and as per the policy terms this failure is covered.

Secondly, Mr P says that corrosion is not listed as excluded under the section detailing the specific level of cover he has, comprehensive component cover. He says details of the cover he's paid for are set out on pages 16 – 20 only and these standalone terms cannot be ignored.

I've read the terms and conditions of this policy in its entirety. The policy sets out from the start that *"The level of cover may vary depending on which option you choose"*.

The policy goes on to say *"Your policy and confirmation of cover is a contract between you and us. We will pay for any claim you make which is covered by the policy and level of cover chosen that occurs during the period of insurance. Unless specifically mentioned, the benefits and exclusions within each section, apply to the insured vehicle. Your policy does not cover all possible events and expenses"*.

The policy then sets out the different types of cover. Mr P has comprehensive component cover and it covers all components except those listed. And driveshafts aren't listed, so they're covered. The comprehensive component cover is set out on page 16 and it directs the reader to page 19 for wear and tear cover. This section says:

"Our policy on wear and tear: During the service life of your insured vehicle, normal degradation will naturally occur to some components, we term this wear and tear. For instance, components which are subjected to constant or sustained periods of movement, such as suspension bushes/ball joints and steering joints, would be subject to wear and tear. Dependant on the age and mileage of your insured vehicle, we may not be able to cover this type of failure and the cost of replacement will be your responsibility. If you have the Comprehensive level of cover however, we have included all insured components even if the failure is due to normal degradation (wear and tear) up to 100,000 miles from the date of registration. In addition, if a component has previously been replaced with a (manufacturers) genuine part, the same rule will apply, in this case evidence of mileage at fitment will be required".

So, wear and tear is specifically covered under the scope of Mr P's comprehensive cover.

The next page deals with the terms and conditions of the policy. It says the terms and conditions must be adhered to and under this section it says the warranty will not cover the following:

"Cleaning, polishing, recalls, operations performed under normal maintenance, corrosion, adjustments, modifications, alterations, or damage caused by tampering, disconnection, improper adjustments or repairs or incorrect fuel, failures due to oil degradation or carbon/soot build up".

So, the drive shafts are covered under Mr P's policy. And wear and tear is also covered. But corrosion is excluded.

Mr P says wear and tear and corrosion are the same and differentiating them is just a technicality used to decline claims. And I can see Mr P's argument. Wear and tear can be as

a result of ordinary in-service deterioration, or when a previously sound material has undergone a process of deterioration, such as corrosion.

But even though Mr P's point is valid, that doesn't mean that AWP would need to automatically consider a corroded part under its cover for wear and tear. I say this because AWP's inclusion of a specific term later in the policy, that excludes cover for corrosion, means it doesn't want to offer cover for corroded parts. And as this is clearly set out in the policy terms, I can't say AWP has done anything wrong by declining a claim for the corroded drive shafts.

Mr P also argues that the specific cover he has for comprehensive cover is featured on pages 16 – 19 and these terms should be read in isolation. Mr P says corrosion isn't mentioned on these pages and because of this AWP has failed to follow compliance and procedures in the policy handbook and is in breach its own conditions.

But I don't agree with Mr P's interpretation of how the policy terms and conditions should be read. This policy booklet is written to incorporate three separate levels of cover. The core conditions are the same, but there are different levels of cover. These levels are set out separately under specific headings and they set out differently what is and isn't covered under each cover level. For example, one cover lists all components covered, another lists the parts it excludes. But the core terms and conditions of the policy, definitions, and general information are shared across all three levels of cover. And I'm satisfied this is clear in the document.

The policy says "*Unless specifically mentioned, the benefits and exclusions within each section, apply to the insured vehicle.*" Mr P says that corrosion is not specifically mentioned under the comprehensive cover section so it should be covered. But again, I don't agree with Mr P's interpretation of this term. This term relates to individual sections, and the benefits and exclusions of each section. Just because corrosion isn't included or excluded under the specific comprehensive cover section doesn't mean Mr P should benefit. Under the general terms and conditions of this policy, corrosion is excluded across all levels of cover. As such Mr P's claim for parts that have failed due to corrosion are excluded no matter what level of cover he has.

Mr P also argues that as corrosion is not specifically mentioned under "*what is not insured*" on the insurance product information document. This document is a summary of key information and doesn't list every exclusion. What we'd expect to see on this document is an overview of cover or any unusual exclusions. And as an exclusion for corrosion is not unusual for this type of product, I wouldn't expect to see it here. However I do note that on the summary of cover which is on page 10 of the policy document, it does warn the purchaser that there are some financial limitations in some sections of cover and you're specifically directed to page 20 of the policy terms and conditions, where the corrosion exclusion is set out.

I appreciate and understand all of Mr P's arguments in this complaint. And I know Mr P will be disappointed by the outcome of this complaint. But failure due to corrosion is excluded from cover, and this is set out clearly in the policy terms and conditions. As such AWP has acted fairly and reasonably and hasn't done anything wrong by declining Mr P's claim.

My final decision

For the reasons given above, I don't uphold this complaint.

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

Derek Dunne
Ombudsman