

The complaint

Representatives acting for a company, which I'll refer to as V, have complained about Great Lakes Insurance SE's handling of a claim on V's coach and bus insurance policy.

The policy is administered on Great Lakes' behalf by a separate company. But, as Great Lakes remains responsible for complaints concerning claims against the policy, I will only refer to Great Lakes in this decision even where the actions were taken by the administration company on its behalf.

Provisional decision

On 31 May 2022 I issued a provisional decision. For ease of reading I've copied the relevant extract below.

“What happened

V is a travel company which insures its fleet of vehicles on a policy underwritten by Great Lakes.

One of V's coaches broke down while on a trip. V said that happened after the coach's sump was damaged when it hit a speedbump or pothole in the road. The coach suffered a sudden oil leak and subsequent catastrophic damage to the engine. V initially recovered the coach itself and employed engineering firms to try to fix it, but as the extent of the damage became apparent, V chose to claim on its policy for the repairs.

Great Lakes investigated the claim, including instructing independent engineers to examine the coach. It also asked investigators to interview the coach driver and V's director. Further, it made enquiries of the local council about the condition of the road surface. After Great Lakes had done so it refused to pay V's claim. It said it didn't think the damage to the coach was caused by it hitting a speedbump.

V didn't agree and brought the complaint to us. One of our investigators looked into it. He didn't think Great Lakes needed to take any further action. V didn't agree so the complaint's been passed to me to decide.

What I've provisionally 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.

Did Great Lakes fairly refuse to pay the claim?

V's policy covers its vehicles including its coach for loss or damage caused in an accident; which would include hitting an object in the road, including a speedbump or pothole. But it wouldn't cover any damage caused by wear and tear or any kind of mechanical breakdown.

So, in order for V's claim to be covered the coach's damage would need to have been caused in an accident.

V didn't report the incident to Great Lakes straightaway. Instead it tried to repair the coach itself, employing engineering firms to fit new parts to it in the hope that it could repair the coach. But those repairs weren't successful as the coach was more badly damaged than V's repairers had suspected. So V claimed on the policy.

Great Lakes sent out independent engineers to assess the damage to the coach. When the engineer arrived the coach's engine had been removed and the sump had been separated from the engine. So the independent engineer didn't see all the parts as they would have been at the time of the incident. The engineer said he couldn't assess the extent of the damage to the engine without it being stripped. So Great Lakes arranged for the coach and engine to be moved to one of the coach's manufacturers workshops in order to do that. Once the manufacturer's engineers had stripped the engine, the manufacturer found that the engine had numerous issues, including that the engine block was cracked, the cam shaft seized, and that an earlier repair attempt had done damage to wires and pipes. The manufacturer said the engine was beyond repair.

The independent engineers said they didn't think the damage to the sump and consequently the engine could have been caused by hitting a speedbump. In a series of reports they said that the sump itself showed no sign of a dent or distortion consistent with hitting something that would cause the damage. They added that there were other chassis structures around the sump that would have either acted to protect the sump or otherwise would have been damaged in the incident. And without evidence of that damage to the surrounding chassis structures the independent engineers didn't believe that the damage could have been caused by hitting a speedbump or other object in the road. And on that basis Great Lakes refused to pay V's claim.

V disputed the independent engineers' assessments. It suggested that, as Great Lakes instructed the engineers itself then they can't be considered independent. But while I can certainly understand why V might think that, given that Great Lakes paid for the engineers' reports, I don't think the independent engineers have much to gain by giving something other than their professional opinions. The use of independent engineers of this nature is common in the insurance industry. And the engineers are paid for their time, expertise and giving their professional opinion. They are not instructed, nor paid more or less, on the basis that their opinion might be favourable to an insurer. And I've seen no evidence, beyond V's concerns, that the independent engineers' opinions were biased in favour of Great Lakes. So I don't intend to discount that evidence.

V also pointed out that engineering firms it instructed, for example a firm hired to try to repair the coach, said that the damage was caused by the sump hitting a solid object causing it to crack. So I'm faced with conflicting evidence about what caused the damage to the sump. And in those circumstances, I need to examine all the evidence to establish what I believe has happened. I should say that I don't have any engineering qualifications, I don't need them in order to decide what is a fair outcome to this complaint. Instead I need to weigh up the evidence carefully and come to a conclusion based on the balance of probabilities. In other words, I need to decide what's more likely than not to have happened.

Having done so, I'm not persuaded that the damage to the coach was caused by it hitting a speedbump, pothole or object in the road. Apart from the opinion of the independent engineer Great Lakes initially instructed, I've noted that there are other engineering opinions on file which also argue that damage of the sort the coach suffered could not be caused in the manner described in V's claim. Indeed, one of those opinions was given in a report from an engineer commissioned by V's representatives. So that engineer was working for V,

albeit indirectly. That report agrees with the independent engineers Great Lakes instructed, that the damage to the sump wasn't caused by striking an object in the road. Similarly, there's comment on Great Lakes' file about the likely cause of the engine failure from engineers employed by a vehicle repairer. The second is a senior engineer. Both of them said that, if the coach had hit something with enough force to split the sump, then it would have done damage to the surrounding chassis. But no such damage was present.

V submitted some photos taken at the scene which, amongst other things, show a hole in the sump. Great Lakes asked the independent engineer whether V's images changed his opinion of what caused the sump damage. The engineer said it didn't. He said that if the sump had been damaged by striking an object then there would be denting or distortion to it. But there was no such evidence of that sort of damage. And I'm persuaded by that comment.

So, while I've noted that there is engineering evidence to support V's view that the damage was caused by the sump striking something, the overwhelming weight of engineering opinions is that's unlikely to have been the cause of the damage. And in those circumstances, V doesn't have a valid claim on its policy as it hasn't provided persuasive evidence that an incident it could claim for took place. So I think Great Lakes turned down the claim fairly.

Did Great Lakes address V's concerns about the coach bodywork and some replaced engine components fairly?

V has also complained that Great Lakes' agents caused other damage to the coach while in its possession. Great Lakes made an offer of £1,000 to compensate for damage to the coach's bodywork. I note V said it would accept Great Lakes' offer. I further note that Great Lakes asked V to submit its bank details so it could make that payment. While it's not clear if the payment has actually been made, if it hasn't then, on receipt of the appropriate details, Great Lakes should make that payment now. I think that would be a reasonable conclusion to that matter.

V also said that Great Lakes' agents had allowed new parts, which V bought in order to try to repair the engine, to corrode, in particular they've referred to crankshaft components. And V has provided photos that show that the crankshaft has corroded and is beyond use.

I have some sympathy with V's position here. It bought the new parts in an attempt to repair the coach without needing to claim on the policy. But, when Great Lakes returned the engine to it, some of those parts, most notably the crankshaft and associated components had been exposed to the elements and had become corroded. That shouldn't have happened if those had been taken care of. Great Lakes had previously argued that once the engine had lost oil then those components were always subject to corrosion. But, I'm not persuaded by that. As far as I'm aware brand new parts won't generally arrive at a repairer's covered in oil. So I don't think it was the absence of oil that caused them to corrode. And if the engine wasn't going to be rebuilt then the parts should have been given sufficient protection from exposure to the elements that would prevent them from corroding.

I'm aware that it was while the coach was with the manufacturer's engineers that the corrosion occurred. And Great Lakes has said that it had no control over the acts of those engineers. That might be the case, but the coach was only with the manufacturer because Great Lakes wanted their assistance. So the manufacturer was acting as Great Lakes' agents in the matter. And in those circumstances Great Lakes would remain responsible for putting right any additional damage caused to the coach or its salvageable component parts by the manufacturer. It follows that I think Great Lakes is responsible for putting V back into the position it would have been in if the parts hadn't corroded.

V's confirmed that it has had the coach repaired but it wasn't able to use the corroded crankshaft components. So I think it fair that Great Lakes, on receipt of appropriate evidence, reimburses V for the costs it had to pay to replace those crankshaft components which were corroded while in Great Lakes' agent's care. Great Lakes should add simple interest to the sum reimbursed as set out below."

Neither Great Lakes nor V provided any substantive comments to my provisional decision.

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.

Neither Great Lakes nor V have raised any points that call my provisional decision into question. So I see no reason to change it

My final decision

For the reasons set out above I partly uphold this complaint. I require Great Lakes Insurance SE to:

- Reimburse V for the cost of replacing the corroded crankshaft components.
- It should add simple interest to the sum reimbursed from the date V paid for the replacement crankshaft parts to the date Great Lakes reimburses it, subject to V providing evidence to Great Lakes of buying and making payment for the replaced parts in a timely manner.

Under the rules of the Financial Ombudsman Service, I'm required to ask V to accept or reject my decision before 25 July 2022.

Joe Scott
Ombudsman