

The complaint

Mr S has complained about Bapchild Motoring World (Kent) Limited. He isn't happy about the way it dealt with a claim under his motor warranty policy.

Other companies have been involved in this complaint, but as Bapchild are responsible for it, I've just referred to them in this decision.

What happened

I looked at this case and provided my initial thoughts in my provisional decision as follows;

Mr S bought a car and took out a motor warranty alongside it. When he had a problem with his car he agreed with the administrator of the policy that he would take it to a main dealership for repair. The problem was identified, and the repair was agreed.

However, the administrator told Mr S that, in line with the policy terms and conditions, it would only provide a second-hand or reconditioned part, or pay the cash equivalent. Mr S complained to Bapchild and then this Service as he wasn't happy about this. He thought he should get the full new part price and the full costs he incurred and complained about the delay in paying the claim.

Our investigator looked into things for Mr S but didn't uphold his complaint. He thought Bapchild had acted reasonably and in line with the policy in only offering to pay the equivalent of a reconditioned or second-hand part. Although Mr S said he wasn't told this by the salesperson our investigator thought the policy was clear and that there wasn't any unnecessary delay in paying the claim.

As Mr S didn't agree the matter has been passed to me for review.

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.

Although I can understand Mr S' position – he simply wanted a new part fitted and for this to be done by the main dealership. But the policy doesn't cover this, and it is clear that reconditioned or second-hand parts will be used so I can't say Bapchild have acted unreasonably here. And it offered to facilitate the repair elsewhere or to send a part to Mr S' chosen repairer to be fitted so I think it acted fairly in the circumstances. It was Mr S' choice to continue with the repair at the main dealership and he could have allowed his car to be repaired elsewhere if he wanted to use his warranty in full.

I know Mr S feels that the policy may have been mis-sold as he wasn't made aware of this by the seller at the time he bought his car. But I do think he should have looked at the policy documentation and got a feel for the general cover he was provided with around the time of sale. And if the policy documentation wasn't provided then I agree with our investigator that it would be reasonable to request it. I know Mr S has said he wouldn't have bought the policy if

he was aware that second-hand or reconditioned parts could be used. But this isn't an unusual approach across a number of insurance products and warranties, and I don't think it is unreasonable to take this approach with a second-hand car. And Mr S has had the use of the policy, including paying a contribution to this claim, which is ongoing and will cover future claims and gives peace of mind. Plus, the policy provided cover and peace of mind in relation to breakdown cover which was an additional benefit of the policy.

However, I note Bapchild didn't pay Mr S VAT on the price of the part when I think it should have done. I say this as Mr S would have to pay VAT and couldn't claim it back as this was a private repair and policy. And as Mr S had to pay VAT I think it only fair that Bapchild pay him the cost of the part including VAT now, plus 8% simple interest for the time he has been without the money owed.

Finally, I've considered the delay in paying the claim and I can see that things dragged out a little at the time of payment. But I can also see that there was a problem getting the correct invoice documentation for payment which was partly contributed to by the repairing garage. And so I don't think Bapchild acted unreasonably here and there was always going to be some delay in getting payment across in circumstances like these.

Replies and developments

Both sides responded to my provisional decision. Mr S said that his issues were as stated from the beginning of his complaint and that he didn't have anything further to add other than he felt the provisional decision was balanced and noted its content.

While Bapchild said it didn't agree that it should pay the VAT. It says the reason behind offering the cost exclusive of VAT was that it had offered to supply the part and if the parts had been supplied through Bapchild then it would have reclaimed the VAT element. So, Bapchild feels that it shouldn't have to pay the additional cost as this wouldn't have been paid in the event the customer had the repair carried out in line with the terms.

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.

Although I can understand Bapchild's point here I don't think it would have been clear to Mr S that Bapchild wouldn't be paying him VAT when he reluctantly agreed to accept the payment for the part, as opposed to the whole repair. And this followed the fact that Bapchild agreed that Mr S could take his car to a main dealership which impacted his position as they clearly wouldn't use second-hand parts in any event. Plus, Bapchild haven't had to pay for the repair and installation in any event so the cost it has incurred as part of the repair has been significantly reduced.

So, I think it is only fair and reasonable, in the particular circumstances of this case, for Bapchild to pay the VAT element for the part as Mr S had to pay this, plus simple interest for the time Mr S has been without the money.

My final decision

It follows, for the reasons given above, that I partly uphold this complaint. I require Bapchild Motoring World (Kent) Limited to pay Mr S the cost of the part including VAT. And to pay 8% simple interest from the date of claim until the date of settlement for the shortfall.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or

reject my decision before 12 August 2022.

Colin Keegan
Ombudsman