

The complaint

Mr F has complained about his car warranty provider, London General Insurance Company Limited (LGI) as it declined a claim he made when his car broke down.

What happened

Mr F had a break down in July 2021. His garage said the crankshaft in the engine had snapped. He made a claim to LGI. LGI had an engineer inspect the engine. The engineer said there was congealed oil, indicating that the oil had not been changed for a “prolonged period of time” and this may have caused blockages and oil starvation, which in turn damaged the crank shaft and the oil pump.

LGI considered its policy. It told Mr F that the policy offers cover for: “the cost of repair or replacement (including labour) of any Covered Components in the event that any such Covered Component (as listed in Schedule 1: Covered Components) is subject to sudden and unforeseen mechanical or electrical breakdown unless such component fails due to negligence or reaching the end of its working life due to expected deterioration.”

So LGI told Mr F that based on the policy wording and the engineer’s report on the cause, it wouldn’t be covering the claim. It said that was because oil starvation is not a sudden mechanical failure.

Mr F had the car fixed and complained to us. His invoice was for £4,498.10 and he said he’d had to use savings to pay for this. He said he had only serviced the car a couple of months before. And he provided a report which he said came from his garage.

Our Investigator felt LGI should be paying the claim. She felt Mr F had shown a sudden failure had occurred. LGI disagreed. Mr F provided a further report on the damage as well as proof of the service completed in April 2021. LGI was asked to review whether it would now accept the claim.

LGI (though not its engineer) said the service details showed the car had only done 133 miles since the service before it broke down – so it was possible the low mileage had caused the build-up of sludge in the engine. Or, LGI said, that the congealed oil had been present even before the service. It wasn’t minded to change its position on the claim and the complaint was passed to me for a decision to be made.

I issued a provisional decision, my findings of which were:

“Due to the information that was shared with LGI since our Investigator issued their view, I’m issuing a provisional decision. This will allow me to share my view on everything, including LGI’s response to the shared information, with both parties. And they will have a chance to respond before a final decision is made.

In short, I intend to uphold this complaint. As such I’ll likely require LGI to reimburse Mr F’s repair cost and pay him £500 compensation. I’ve set out my reasoning below.

I've quoted the cover offered by this policy above. The broken part of the car is one of the covered components. LGI has said its failure appears to have been oil starvation and this is not a sudden mechanical failure. So this is the issue I've considered.

LGI's engineer said the oil starvation had most likely occurred due to the oil not being changed over a prolonged period of time. But Mr F has shown the oil was changed. So I'm not persuaded that the engineer's opinion can reasonably be relied upon.

LGI has said the contaminated oil might have built up in the two months since the service due to low mileage. Or that it may have been there before the car was serviced. But these comments haven't come from its engineer. And they seem at odds with his view that contamination had built up over a prolonged period of time because the oil hadn't been changed.

I'm also mindful that both Mr F's garage and LGI's engineer agree that the crank shaft snapped. The crank shaft is a mechanical part of the car. The point that the shaft snapped was a sudden event. And we know it was unforeseen as the car was serviced only two months before, with no concerns having been raised by the assessing garage. So that seems to me to be something covered by the policy. I think LGI should reimburse Mr F's outlay plus interest.*

Mr F has explained that he needed to get the car fixed – but to do so he had to use savings. Given the national pandemic and difficulties that this caused Mr F, he's explained that using his savings for the purpose of repairing his car has caused him some worry and inconvenience. He was also without the use of the car for about four months in total. Whilst the car broke down in July, it was August before Mr F got it to the garage, and it was the end of October before he was able to get it fixed. But I see that during August LGI was asking the garage for information and it then decided to send an engineer to assess the car. I think, if LGI hadn't unreasonably declined the claim, the claim and repair would have been completed by the end of September 2021. So Mr F was without his car for one month longer than he should have been. I accept that must have been frustrating for him. Taking all of this into account, I think LGI should pay Mr F £500 compensation."

Mr F said he was happy with my findings. LGI did not respond.

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.

As neither party objected to my provisional decision, I've no cause to change anything I said. My provisional findings are now those of this, my final decision.

Putting things right

I require LGI to pay Mr F:

- £4,498.10 as reimbursement of the repair costs, plus interest from 29 October 2021 (the date of the invoice), until settlement is made.
- £500 compensation.

*Interest is at a rate of 8% simple per year and paid on the amounts specified and from/to the dates stated. HM Revenue & Customs requires LGI to take off tax from this interest. If asked, it must give Mr F a certificate showing how much tax it's taken off

My final decision

I uphold this complaint. I require London General Insurance Company Limited to provide the redress set out above at "Putting things right".

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr F to accept or reject my decision before 8 September 2022.

Fiona Robinson

Ombudsman