

The complaint

Mr S complains about the decision made by Volkswagen Versicherung Aktiengesellschaft (VW) to decline a claim he made on his extended motor warranty policy.

VW references VW and its agents.

What happened

Mr S submitted a claim for a faulty boot lid controller on his extended motor warranty policy with VW.

But because the cost of repair to VW was deemed less than the policy excess, VW declined the claim. So, Mr S approached the dealership directly. However, the repair cost he was quoted directly from the dealership was double what the dealership had quoted VW for the same job.

So, Mr S complained to VW. He pointed to the policy and said this was a valid claim. He said he was being impacted financially because VW wouldn't accept the claim. He said even if the cost of repair to VW was lower than the excess, VW should still help him make the claim. Mr S said that the whole point of taking the policy was for assistance and benefits like a lower repair cost in situations like this.

However, VW said it would never have been on cover for a claim that was below the excess. As such it had no responsibility for what the dealership charged to complete the repair.

So, Mr S brought the complaint to our service. An investigator at this service reached out to VW, who then confirmed that it had reviewed this issue in general, and that there now was a mechanism in place for those who submit lower value valid claims to have the claim accepted even if the cost of repair was lower than the excess. This way its customers could still avail of cheaper labour rates from dealerships, because they had a VW warranty. VW said as a gesture of goodwill its agent validated the claim for Mr S, meaning he paid the discounted rate. Our investigator communicated this to both parties, and asked VW to pay £100 in compensation for the inconvenience this issue caused.

However, even though the claim issue had been resolved, VW said it wasn't responsible for compensation. It said it had no control over what the dealership was about to charge Mr S. It said that it wasn't its actions that caused the distress and inconvenience Mr S suffered, and it shouldn't have to pay compensation. So, the complaint was passed to me to review.

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 upholding this complaint. I'll explain why.

When Mr S complained, he complained about two things. He said procedurally, the practice of declining claims valued below the excess was wrong. He said he had a valid claim and he wanted to benefit from having a warranty even if his claim was of low value. He also asked VW to look at this practice of declining these low value claims as it was impacting all of its paying customers.

There is no question over the validity of the claim. The issue here is how the claim was treated procedurally within VW and what impact this has had on Mr S. Looking through the emails on file, it looks to me like the issue of unfairness to those submitting claims deemed below the excess, based on the discounted rates VW had available to it, was something that was on VW's radar. The fact that certain paying customers, who were submitting smaller value claims, were losing out was a concern, and I can see that this was being discussed in the background.

And I can also see that this was then resolved. An internal email between VW and its agents says technicians had received instructions that going forward they weren't to decline a low value claim but accept claims where work would be covered even if the value falls below the policy excess.

Looking at what happened since the complaint has come to us, I'm satisfied that VW has now addressed this issue, not only for Mr S but for all its customers. The only issue left outstanding is whether VW should pay some compensation to Mr S for the distress and inconvenience he was caused.

VW says the policy in place at the time was to decline a claim that was below the excess. It says what happened afterwards at the dealership was out of its hands. VW says the vehicle technician rejecting the claim had no bearing on what the dealership attempted to charge Mr S. It also says that once the issue came to light, one of its agents contacted Mr S and confirmed the repair at the lower cost as a gesture of goodwill. VW says that Mr S accepted this gesture of goodwill, so he wasn't inconvenienced. VW says it then acted on what happened, and it changed its processes. It says this internal process takes time. VW says Mr S hadn't suffered financially because of any of its actions.

Awarding compensation doesn't only happen if a consumer has suffered financially. We can consider making an award for distress or inconvenience, if something a business does results in adverse consequences for the complainant. So even though VW couldn't control what the dealership wanted to charge Mr S, VW's policy to initially reject a valid claim that was below the excess based on what it would pay was unfair. Doing this meant that customers like Mr S were in effect at the mercy of what a dealership wanted to charge if a claim fell outside the valid claims process, even though they have a warranty. What should've happened is that the true cost of repair should've been taken into account. And if the cost presented to VW ended up being less than the excess, this cost would be the consumers responsibility as per the wording under the excess heading in the policy terms and conditions.

It's clear that VW was concerned that this was impacting its customers, as noted in the internal emails I've seen. So, by not having a better procedure in place before this, Mr S was inconvenienced. He had to go back to the dealership and then back to VW, and even though a resolution was found, this took a considerable amount of time and effort for Mr S to in effect deal with an issue that was already known to VW. I'm satisfied VW now has a procedure in place, which is aligned with its policy wording to deal with this issue. But I think Mr S was inconvenienced. As such I think the £100 in compensation our investigator has recommended is within the range I would consider a fair amount to compensate for the inconvenience this whole issue has caused Mr S.

My final decision

My final decision is that I uphold this complaint. I require Volkswagen Versicherung Aktiengesellschaft to pay:

- £100 in compensation to Mr S for the inconvenience caused for the reasons I've set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 6 April 2023.

Derek Dunne
Ombudsman