

The complaint

Mr T complains that Mulsanne Insurance Company Limited unfairly declined his motor insurance claim after his car was damaged by fire.

What happened

Mr T held a motor insurance policy, underwritten by Mulsanne.

While Mr T was abroad, his car was in the care of a relative. Unfortunately, in May 2022, it suffered fire damage and needed to be repaired. Mr T made a claim to Mulsanne when he returned to the UK around six months later.

Mulsanne investigated the claim and declined to cover any repairs. It said Mr T had a duty to report any claims within 24 hours and that he needed to tell Mulsanne if he'd be out of the country for more than 60 days. It also said the policy doesn't cover any loss or damage caused while the car is being used by somebody who isn't named on the certificate of insurance, which it says was the case here. Lastly, Mulsanne said Mr T's policy doesn't cover fire damage caused by electrical faults, which it thinks was the cause of the fire.

Unhappy with this, Mr T complained to Mulsanne, but it didn't change its stance. It did however admit that it could have dealt with Mr T's claim sooner and been more proactive. It apologised to Mr T for this.

Mr T didn't think this was fair, so he referred his complaint to the Financial Ombudsman.

Our investigator looked into the complaint and upheld it in part. She thought it was fair for Mulsanne to decline the claim in line with the terms of Mr T's insurance policy. But, she thought that the handling of the claim had caused Mr T distress and inconvenience. So, she recommended Mulsanne pay Mr T £300 compensation.

Mulsanne accepted our investigator's recommendation. Mr T didn't agree. He thought it was unfair that Mulsanne wouldn't repair his car when he held an insurance policy at the time of the fire. He also didn't think £300 was enough compensation.

Because Mr T didn't agree, his complaint has been passed to me to decide.

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 agree with the outcome that our investigator has reached for broadly the same reasons. I know this will be disappointing for Mr T because I won't be telling Mulsanne to repair his car. I'll explain why and I'd like to reassure him that I've considered all the arguments and evidence he and Mulsanne has provided.

Insurers like Mulsanne have a duty to handle claims promptly and fairly, and they shouldn't unreasonably decline a claim. So I've looked at the terms and conditions of Mr T's policy and the reasons Mulsanne has given for declining this particular claim. I've also considered whether this produces a fair outcome.

I've reviewed Mr T's policy terms and I can see it covers damage to his car caused by fire. But, Mulsanne has raised several reasons why it thinks Mr T's claim shouldn't be covered – these being an exclusion it says applies and three policy conditions it says were breached.

When an insurer seeks to apply an exclusion, or says that a policy condition has been breached, it is for the insurer to show that this is in fact the case. So, in this case, the onus is on Mulsanne to show that the exclusion that it applied to Mr T's claim is correct in the circumstances – or, that Mr T has in fact breached a policy condition. I should explain that Mulsanne only needs to show that one of these things has happened in order to decline the claim.

The most persuasive reason that Mulsanne has given to decline Mr T's claim is, in my view, that Mr T's policy does not cover fire damage caused by electrical faults. The exact policy wording says:

“Section 2 - Fire and theft

What is covered

The insurer will cover you under this section for loss or damage by fire, lightning, explosion, theft or attempted theft to your car”

...

“What is not covered under sections 1 and 2:

Mechanical, electrical, electronic or computer failures, breakdowns or breakages.”

Mulsanne has provided a report from an engineer that concluded that the fire was caused by an electrical fault. The report said:

“The vehicle has damage to the rear fuse box, body control module and main wiring harness which are all located in the vehicle boot compartment and have electrical short failure and have melted.

There are [non-original] wires connected to the rear fuse box going to a [non-original] wiring loom and into the vehicle under the left front seat.

The fault appears to have been started where these wires are connected however the unit they lead to has been removed.

The owner needs to advise what the unit was and when it was fitted and removed.

The earth wire for this unit has been bolted to the body however the main earth surface on the terminal has been bolted on top of a plastic bracket which will affect the earth efficiency which could cause the wiring to overheat.”

I understand there were questions about this non-original electrical unit and wiring – what happened to the unit, whether it present when Mr T purchased the car, etc. But, in any case, based on the opinion of the engineer, I'm satisfied that the damage to Mr T's car was in fact caused by an electrical failure. Therefore, I'm satisfied that Mr T's claim falls within the exclusion for fire damage caused by electrical failures. So I think it was correct for Mulsanne to say that Mr T's claim was not covered by his contract of insurance.

Because Mr T's claim fell within this exclusion, I haven't needed to consider the policy conditions that Mulsanne says were breached – namely, the claim not being reported within 24 hours, Mr T not telling Mulsanne that he'd be out of the country for more than 60 days, and Mr T admitting that somebody else was driving the car. But, considering that those conditions do appear to have been breached, and considering that I believe the above exclusion was applied correctly, I think it was fair and reasonable for Mulsanne to decline Mr T's claim. So, I won't be telling Mulsanne to cover the cost of any repairs.

I've gone on to consider Mulsanne's overall handling of the claim. I've reviewed Mulsanne's claim notes to understand what happened and when. I agree with our investigator that there were periods of time where Mulsanne could have done more to progress the claim and did cause delays. Mulsanne has admitted this. I can also see Mr T was caused a lot of confusion and frustration trying to send documents that I'm not convinced Mulsanne needed, considering the outcome of the claim. I think Mr T was entitled to expect more timely and proactive service, given he was trying to deal with the claim whilst busy abroad.

Our investigator recommended Mulsanne pay Mr T £300 compensation and Mulsanne accepted this. I think this is a fair amount to recognise the distress, confusion and hassle Mr T suffered. So, this is the amount I'm awarding to resolve this complaint.

I understand Mr T will be disappointed with this, and I know he would like Mulsanne to repair his car. But, for the reasons I've given, I think Mulsanne reached a fair outcome when it decided not to repair Mr T's car. And I think the compensation I'm awarding fairly recognises the poor service Mulsanne provided while making its decision.

For the avoidance of doubt, Mr T has raised a further complaint about storage charges while his car was kept at a garage. This doesn't fall within the scope of this complaint, so it doesn't form part of my decision here.

Putting things right

To resolve this complaint, Mulsanne must pay Mr T £300 compensation for distress and inconvenience if it hasn't already done so.

My final decision

My final decision is that I uphold this complaint in part. I direct Mulsanne Insurance Company Limited to pay Mr T compensation as detailed above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr T to accept or reject my decision before 14 June 2024.

Chris Woolaway
Ombudsman