

The complaint

Mr K has complained about the way Motors Insurance Company Limited (MICL) handled his claim under his alloy wheel insurance.

What happened

Mr K bought a new car and also bought alloy wheel insurance at the same time. The policy was sold by the car dealer and was administered by another company.

Mr K made a claim for damage to his alloy wheels. After examining the wheels on Mr K's car MICL's approved repairer said it couldn't repair the specific alloy wheels on the car. On that basis MICL felt that as it couldn't provide any indemnity under the policy it was only right that it cancelled the policy and returned the premium Mr K had paid with 8% interest which was rounded up to compensate Mr K with £50. Unfortunately, it returned the premium plus the interest to the entity that paid it initially which appears to be the car dealer from whom Mr K bought the policy.

Mr K complained ultimately saying the policy was mis-sold as it simply couldn't repair the type of alloy wheels Mr K's car had, so it was worthless to him. Mr K then brought his complaint to us.

Following this, MICL's approved repairers thought they could now repair the alloy wheels and offered to reinstate the policy with Mr K repaying the premium. The investigator thought this was fair. She also said given the policy provided for a payment of £150 in the event the wheels couldn't have been repaired, MICL should have offered this instead of cancelling the policy.

Mr K maintained the policy wasn't fit for his purposes and was mis-sold. He said it had left him £5,600.00 out of pocket. This is because the price of a standard diamond cut alloy wheel is £270.00 but the alloy wheels on Mr K's car are £1,400.00 each. And on this basis his complaint was passed to me to decide.

I issued a provisional decision on 2 October, and I said the following:

'Having done so, I'm upholding this complaint along the same lines as the investigator but with additional reasoning. I'll now explain why.

First, in this decision I will only be considering the way MICL handled Mr K's claim, the fact that it cancelled the policy and the fact that it now feels it could repair the wheels. I can't consider anything to do with the mis-sale of the policy as MICL aren't responsible for selling the policy, that is down to the broker or car dealer. I also understand that Mr K has raised a separate complaint about that.

Like the investigator I don't consider it was right for MICL to cancel the policy when its approved repairers felt they couldn't repair Mr K's wheels. This is because the

policy provides for a payment in that situation which MICL didn't offer to Mr K. The policy says the following:

"Should the Administrator deem an Alloy Wheel to be damaged beyond a point whereby a reasonable cosmetic repair can be carried out then the policy provides two options:

- 1. If the damage to the Alloy Wheel is such that a lathe skim repair can be carried out, then the Administrator will facilitate a lathe skim repair with a local approved repairer on Your behalf and then advise You accordingly. Alternatively, the policy will contribute a maximum amount of £110 including VAT towards allowing You to have this repaired locally at Your choice, subject to a repair invoice being provided. This will count as one claim.*
- 2. If the damage to the Alloy Wheel is such that no kind of repair can be carried out, the policy will contribute a maximum amount of £150 including VAT towards the replacement of the Alloy Wheel. This will count as one claim."*

MICL didn't do anything of this or indeed explain it to Mr K. Given the cost of the wheels for Mr K's car, it's unlikely this would have satisfied Mr K, but I consider the actual policy terms should have been explained to Mr K at this stage.

What MICL did do was cancel the policy and return the premium adding interest of 8% simple and rounding that up to £50 by way of compensation. Unfortunately, however it didn't pay the refunded premium and interest direct to Mr K, instead it returned it to the entity from which it received the premium payment. This is also incorrect. It's not fair or reasonable that Mr K should chase whoever he paid for the policy to get his money refunded in this sort of situation. MICL should have paid Mr K directly. As Mr K never received the premium refund and interest and compensation, further interest is now payable to Mr K since he has been without these funds all of this time. I consider in the event Mr K does not wish to avail of the MICL's offer which I will discuss below that MICL should refund the premium amount plus the interest and further interest accrued to date, to Mr K directly and sort itself out separately with whoever it originally paid the refund to.

MICL and its approved repairs now say they can offer a repair of the alloy wheels on Mr K's car, should he wish this to happen. I consider this is fair. It is unlikely Mr K will accept this since I understand he has already sorted his wheels out himself. But, since MICL didn't refund the premium amount to Mr K, it would be unfair to ask Mr K to pay the premium again in those circumstances. I consider it would be more reasonable if MICL sorted itself out in getting the premium it refunded back from whomever it paid it to, ensuring that the £50 comprising of interest and some compensation is paid to Mr K, if Mr K now wishes for his alloy wheels to be repaired by MICL's approved repairers.

Mr K also complained that the policy didn't provide enough cover for the type of wheels his car had. Within the Demands and Needs Document, it explains what the product is suitable for. It says the following:

"This product is suitable for the demands and needs of a car owner who wants to protect themselves against the cost of repair or contribution towards the replacement of the Alloy Wheels, as a result of a sudden and unforeseen event that has resulted in accidental or malicious damage to their alloy wheels but not general wear and tear."

Within the Insurance Product Information Document (IPID), it explains that a limit applies to each claim with a maximum amount of £150 being paid in the event that MICL can't repair the alloy wheel.

This kind of limit is very common in these types of policies, so I don't find it unusual. I consider the policy documents does make the limits clear too. It is always for the consumer to read the policy documents on receipt to make sure the cover provided is suitable for their needs. This is because these sorts of policies are sold on what is called an 'unadvised basis.' If it turns out that the cover isn't suitable, a consumer can then always cancel the policy at no cost to them within 14 days. So, I consider it was for Mr K to read his policy documents and make sure it provided the correct cover for him. Therefore, I don't consider MICL did anything wrong here.

Clearly MICL's communication around Mr K's claim could have been clearer. However, its compensation payment to include interest is adequate and reasonable in my view. It's also in line with our published stance on compensation, albeit presently Mr K hasn't actually received it.'

MICL didn't respond but Mr K did.

Mr K said the wheels on his car can neither be cosmetically repaired or lathe skimmed so they could never have been repaired as per the policy as no repair is actually possible. He remains perplexed why MICL told us that they can now repair his wheels. He said that MICL inspected his car three times and concluded that it couldn't repair his wheels. Therefore, he doesn't believe any effective repair could be made to the wheels of his car. He felt that I hadn't answered why MICL refunded the premium, not to Mr K, but to the entity to whom Mr K had paid the premium initially. He explained, contrary to what I had assumed, which was that he had repaired his wheels himself, that instead he had rejected this car under the Consumer Credit Act within 28 days of purchasing it, given multiple faults. Whilst he understood my position, he didn't agree that MICL (and the seller of the car) were not at fault, he felt that they would be pointing fingers at each other about which one is answerable. He urged me not to say that MICL doesn't have a duty of care as this sets a dangerous precedent.

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.

Mr K gave other information concerning the sale of the car and other faults with it, all to do with the entity that sold the car to him. None of that concerns the subject matter or the party against whom this complaint is set up, so I won't mention it here.

This complaint solely concerns MICL and no one else. Because our decisions are published, I can't mention any other entities by name, who Mr K believes are involved in his complaint. Also, our rules only permit us to deal with one business at a time. We can't make decisions against multiple businesses within the same final decision document.

This decision solely concerns the contents of the alloy wheel insurance policy which Mr K bought, and which is underwritten by MICL. Consequently, it's up to me to decide what if anything MICL only, should do.

It's clear to me, that as Mr K no longer has this car, and he didn't fix the wheels himself at his own cost, he has no need to avail of any type of repair which MICL told us it could now do on the wheels of Mr K's car. For Mr K's benefit, it was MICL who told us itself that it thought it

could now repair his alloy wheels. It's not for me to investigate whether this is actually possible or not, it's simply for me to note that this is what MICL told us.

Therefore, there is no point in me discussing MICL's present offer to try and repair the alloy wheels of Mr K's car. Essentially consequently, Mr K doesn't want or indeed need to avail of this offer.

On this basis, it remains I consider that MICL needs to ensure it refunds Mr K himself, the full premium he had paid, when it cancelled its policy. This should include the interest it calculated rounding it up to £50 as compensation. It was wrong of MICL to send its original refund to this other entity, to whom Mr K had originally paid the premium on buying the policy. It's clear to me that Mr K has never received the premium refund himself. Given this, Mr K has remained without these funds for a considerable length of time. Therefore, interest should still accrue on the amount that MICL originally refunded to this other entity until the refund and the accrued interest is received by Mr K.

My final decision

So, for these reasons it's my final decision that I uphold this complaint.

- As Mr K no longer has the car, MICL now needs to refund the premium he paid, directly back to Mr K including the compensation element, adding interest of 8% simple per year from the date Mr K paid the premium to the other entity up to the date it now refunds him.
- If income tax is to be deducted from the interest, appropriate documentation should be provided to Mr K for HMRC purposes.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr K to accept or reject my decision before 15 November 2024.

Rona Doyle
Ombudsman