

## **The complaint**

Ms C complains that U K Insurance Limited (“Direct Line”) mishandled her claim on a motor insurance policy.

## **What happened**

The subject matter of the claim and the complaint is a car, made by a European car-maker with a diesel engine and first registered in August 2014.

From at least January 2022, Ms C insured the car on a comprehensive policy with Direct Line.

Unfortunately, Ms C reported that in July 2022, she’d accidentally put petrol in the fuel tank, driven off and damaged the car. Direct Line accepted the claim and agreed to pay for repairs by Ms C’s repairer.

Ms C got her car back in about October 2022, but its engine intermittently cut out. So she returned the car to the repairer.

Ms C complained to Direct Line about delay and the supply of a hire vehicle. Direct Line arranged for an engineer to inspect the car. In July 2023, the engineer agreed that the vehicle should be sent to one of the car-maker’s main dealers to diagnose the issue.

In late August 2023, Ms C brought her complaint to us.

By a final response dated late September 2023, Direct Line turned down Ms C’s complaint. Direct Line said its engineer had approved a new fuel rail. Direct Line said it would pay Ms C £250.00 for shortcomings in communication from its engineer.

The main dealer replaced the fuel rail but that didn’t resolve the engine issue.

On about 6 November 2023, Direct Line told Ms C it wouldn’t pay for further repairs and it was terminating her hire car. Ms C complained to Direct Line about that.

By a final response dated 4 December 2023, Direct Line turned down Ms C’s complaint that it had terminated her hire car.

In mid-January 2024, our investigator didn’t recommend that the complaint about events up to late September 2023 should be upheld.

In late January 2024, Ms C brought us the current complaint around Direct Line’s handling of the claim from early November 2023.

## *our investigator’s opinions*

At first, our investigator didn’t recommend that Ms C’s current complaint should be upheld.

In mid-March 2024, our investigator changed his view. He recommended that the complaint should be upheld. He thought that there was enough evidence to support that the current issues with Ms C's car are 'likely' linked to the mis-fuelling. He recommended that Direct Line should:

1. either pay the claim or explain why it is being rejected; and
2. should Direct Line choose to investigate this matter further, it should provide Ms C a replacement vehicle, until such a time a decision is made on the claim; and
3. pay Ms C £250.00 in compensation for any distress and inconvenience she has faced due to the handling of this matter. This amount should be made in addition to any compensation Ms C has previously been awarded.

Ms C disagreed with the investigator's changed opinion. She asked for an ombudsman to review the complaint.

Direct Line also disagreed with the investigator's changed opinion.

*my provisional decision*

After considering all the evidence, I issued a provisional decision on this complaint to Ms C and to Direct Line on 16 July 2024. I summarise my findings:

I was minded to order Direct Line to pay Ms C the pre-accident market value of her car in July 2022.

I was minded to make that conditional on Ms C giving Direct Line the V5 registration document and all available keys for the vehicle. Ownership of the vehicle will pass to Direct Line.

I was minded that Direct Line should've offered such a settlement on about 6 November 2023. So I was minded to direct it to pay interest from that date at our usual rate. And I was minded to find it fair to order Direct Line to make arrangements to collect the vehicle and to deal with any request from the main dealer for payment of storage charges.

I was minded that £250.00 is fair and reasonable compensation for further distress and inconvenience.

Subject to any further information either from Ms C or from Direct Line, my provisional decision was that I upheld this complaint in part. I intended to direct U K Insurance Limited to:

1. subject to Ms C giving Direct Line the V5 registration document and all available keys for the vehicle:
  - 1.1 pay Ms C the pre-accident value of the car in July 2022; and
  - 1.2 pay Ms C simple interest on such pre-accident value at the yearly rate of 8% from 6 November 2023 to the date of its payment. If Direct Line considers that HM Revenue & Customs requires it to take off income tax from that interest, it should tell Ms C how much it's taken off. It should also give her a certificate showing this if she asks for one, so she can reclaim the tax from HM Revenue & Customs if appropriate; and

1.3 make arrangements to collect the vehicle and to deal with any request from the main dealer for payment of storage charges; and

2. pay Ms C £250.00 for distress and inconvenience.

Direct Line accepted the provisional decision.

Ms C disagreed with the provisional decision in part. She says, in summary, that:

- At the time of the accident, her car was 7 years old and had approximately 55,000 on the clock.
- Based on a lie about the main dealer's diagnostics, Direct Line again ended the courtesy car.
- A named individual from customer resolutions said in a telephone call that she could have a hire car during our investigation.
- Direct Line also lied that there was a gap in time before the engine issue recurred.
- These issues caused her huge amounts of distress and have impacted on her mental and physical health.
- Without a pay-out on the insured car, in January, she had to borrow money to buy an older car with a recorded mileage of about 75,000 for £6,000.00.
- The FCA fined Direct Line for routinely and deliberately lying about the value of cars they wrote off. She has little confidence that Direct Line will be fair in their settlement.
- It will be very difficult for her to get a value for a car from 2 years ago to contradict claims from Direct Line.
- She needs a settlement to pay off the borrowing for her new car. We should set a reasonable settlement figure which should be at least £6,000.00.
- Direct Line have offered £7,395.00 minus £250.00 excess.

### **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.

The Financial Ombudsman Service is bound by the Financial Conduct Authority's dispute resolution rules. One of those rules is that a consumer must first have made a complaint to the regulated firm and waited for up to eight weeks for a final response before we can investigate that complaint.

It follows that we usually investigate the firm's acts or omissions that happened and gave rise to a complaint before the final response. Later acts or omissions must be the subject of a further complaint and a further opportunity for a final response before we investigate them.

Where we uphold a complaint about an unfair act or omission, we look at the impact it has caused the complainant, financial or otherwise. We may direct compensation to try to put right that impact. We don't assess compensation at a level intended to punish or deter unfair acts or omissions.

We operate a two-stage process. An investigator gives an opinion and a deadline for response. If the consumer or the business asks before the deadline for an ombudsman review, then we move to that second stage.

After the investigator's opinion dated mid-January 2024, Ms C didn't ask within the deadline for an ombudsman review.

After the investigator's opinions in March and April 2023, Ms C did ask within the deadline for an ombudsman review.

So I'm not re-opening or reviewing Ms C's complaint about Direct Line's acts or omissions up to late September 2023. I'm reviewing its acts or omissions after that but before the final response dated 4 December 2023. That will involve weighing up that final response but not investigating any complaint about the contents of the final response.

The policy provided a hire car during repairs. If repairs weren't by one of Direct Line's approved repairers, then the hire car would be for no more than 21 days.

I find it likely that Ms C paid the excess of £350.00 by the time she collected the car in October 2022.

I've seen an invoice from the main dealer to Ms C's garage dated 2 November 2023. It records a mileage of about 63,000 and includes the following:

*"FUEL RAIL FITTED. NOT CURED FAULT. NEEDS ENGINE"*

On 8 November 2023, Direct Line told Ms C the following:

*"We are no longer able to extend your hire vehicle as an engineer has confirmed that it is an internal fault with the engine, and this is unrelated to your original claim. Following diagnostic reports generated while the vehicle was being inspected by a ... dealership, replacement fuel rail was conducted as per their advice, following this further diagnostic were completed on the vehicle and a fault was detected with the engine that is unrelated to the previous mis-fuelling incident."*

On 9 November 2023, the main dealer said the following:

*"We have advised that [vehicle] requires a new engine fitting due to the permanent fault that cannot be erased relating to the fuel rail. We were made aware by [Ms C's garage] that the vehicle had been mis-fuelled and had suffered with running issues ever since. With this information it is likely that misfuelling has contributed to this vehicle now needing an engine. We can only speculate at this time as we have not carried out any further works that can confirm this completely".*

Direct Line's final response dated 4 December 2023 included the following:

*"The engineers had advised that [main dealer] is unable to pinpoint the cause of the issue. They had initially hoped that the issue would be resolved with a new fuel rail, which was authorised under your claim, however your vehicle issues persisted. Our*

*engineers have stated that due to the time between rail replacement and issue resurfacing may not be a misfuel issue at all.*

*[Main dealer] have advised that a complete engine rebuild would be the next step, however this may be uneconomical and deem your vehicle a write off. Therefore, if you can obtain an independent assessment of your vehicle that evidences the damage being caused by the misfuel, our engineers have agreed to write your vehicle off under the claim.*

*As a show of good faith, I have agreed to extend your supplementary hire vehicle for a further 10 working days."*

I've considered all of that.

Direct Line had approved the first repair and the replacement fuel rail. So – whether or not it took over the repair – I consider that it had a responsibility either to continue to honour the claim or to explain why the misfuelling hadn't caused the engine issue after all.

I consider that that there isn't enough evidence from any Direct Line engineer to support its statement from 8 November 2023 that the engine fault was unrelated to the claim for misfuelling.

I also consider that that there isn't enough evidence from any Direct Line engineer to support its statement in the final response that there was time between the rail replacement and the engine issue resurfacing.

The new fuel rail didn't cure the engine issue. In other words, the car had the same engine issue before and after the new fuel rail. From the sequence of events and the evidence from the main dealer, I find it is likely that misfuelling had damaged the engine. And from what Direct Line has said, that damage was beyond economic repair.

#### Ms C's response to the provisional decision

Ms C has said that at the time of the accident, her car had approximately 55,000 on the clock. However, I consider that she is mistaken about that. I say that because according to its MOT history, the car had passed a test in December 2021 with a recorded mileage of over 56,000. And I find it likely that its mileage had increased by July 2022.

Ms C says that Direct Line lied about the main dealer's diagnostics. I've said that I consider that that there isn't enough evidence from any Direct Line engineer to support its statement from 8 November 2023 that the engine fault was unrelated to the claim for misfuelling. However, I consider that Direct Line was mistaken and careless rather than making a deliberate incorrect statement.

Ms C has said that a named individual from customer resolutions said in a telephone call that she could have a hire car during our investigation. As she has given a name and an approximate point in the sequence of events, I have no reason to doubt what she says.

However, Ms C has also said that a different named individual from Direct Line withdrew the hire car. I see that was the same individual who wrote the final response dated 4 December 2023. I don't condone conflicting information. However, I consider that Direct Line provided a hire car for much longer than it would've done if it had written the insured car off in the summer of 2022.

Ms C says that Direct Line also lied that there was a gap in time before the engine issue recurred. I consider that that there isn't enough evidence from any Direct Line engineer to support its statement in the final response that there was time between the rail replacement

and the engine issue resurfacing. However, I consider that Direct Line was mistaken and careless rather than making a deliberate incorrect statement.

Ms C says that these issues caused her huge amounts of distress and have impacted on her mental and physical health. I haven't seen enough medical evidence of that. Nevertheless, I accept that Direct Line caused Ms C distress and inconvenience, including the need to keep contacting it about the claim and the hire car.

Ms C says that, without a pay-out on the insured car, in January, she had to borrow money to buy an older car with a recorded mileage of about 75,000 for £6,000.00. I have no reason to doubt what she says. However, Ms C hasn't given enough details of the interest she has had to pay on such borrowing. So I will apply our usual rate of interest on the settlement for the insured car.

Ms C says that the FCA fined Direct Line for routinely and deliberately lying about the value of cars they wrote off. She had little confidence that Direct Line will be fair in their settlement. However, I expect Direct Line to value the car fairly and in line with our approach.

Ms C says that it will be very difficult for her to get a value for a car from 2 years ago to contradict claims from Direct Line. However, if she complains to Direct Line about its valuation and is unhappy at its response, then she may bring that complaint to us. We would then check retail values in certain trade guides, retrospective to July 2022.

Ms C says that she needs a settlement to pay off the borrowing for her new car. We should set a reasonable settlement figure which should be at least £6,000.00.

However, I expect Direct Line to pay its settlement on an interim basis, leaving Ms C free to accept the interim payment without prejudice to any further complaint that the valuation is too low. Pending any such complaint, I don't consider that the rules permit me to determine the pre-accident value of the insured car.

### **Putting things right**

I've thought about Direct Line's handling of the claim from late September 2023 to early December 2023 and the impact on Ms C, particularly of the stance it took from about 6 November 2023. I've thought about what to order Direct Line to do to try to put things right.

I think that Ms C had a hire car from Direct Line until about 6 November 2023. According to its final response, Direct Line extended the hire for a further ten working days in December 2023. Ms C says it was January 2024 by the time Direct Line finally terminated the hire.

In any event, I don't find it fair and reasonable to order Direct Line to pay compensation for time when Ms C was without a hire car. That's because I will order Direct Line to pay Ms C the pre-accident market value of her car in July 2022.

I will make that conditional on Ms C giving Direct Line the V5 registration document and all available keys for the vehicle. Ownership of the vehicle will pass to Direct Line.

I consider that Direct Line should've offered such a settlement on about 6 November 2023. So I will direct it to pay interest from that date at our usual rate. And I find it fair to order Direct Line to make arrangements to collect the vehicle and to deal with any request from the main dealer for payment of storage charges.

I take the view that Direct Line has declined the opportunity to get a diagnostic report on the car (beyond that contained in the main dealer's invoice). So unlike the investigator, I won't

give Direct Line the continuing options of explaining why it rejects the claim or of further investigation.

That will mean there is no need to order Direct Line to provide a replacement vehicle during any such investigation. In any event, Ms C says that she has acquired a new vehicle in January 2024.

I keep in mind that the earlier payment of £250.00 was for compensation for acts or omissions before late September 2023. I've thought about the further distress and inconvenience that Direct Line caused Ms C by its handling of her claim after that time and up to early December 2023. That includes the impact on her work and family life for that period of over two months.

I note that Direct Line's final response did extend the hire car for a further 10 working days. However, Direct Line made things worse by not accepting either of the alternatives the investigator recommended.

I consider that £250.00 is fair and reasonable compensation for this further distress and inconvenience and in line with our published guidelines.

### **My final decision**

For the reasons I've explained, my final decision is that I uphold this complaint in part. I direct U K Insurance Limited to:

1. subject to Ms C giving Direct Line the V5 registration document and all available keys for the vehicle:
  - 1.1 pay Ms C the pre-accident value of the car in July 2022; and
  - 1.2 pay Ms C simple interest on such pre-accident value at the yearly rate of 8% from 6 November 2023 to the date of its payment. If Direct Line considers that HM Revenue & Customs requires it to take off income tax from that interest, it should tell Ms C how much it's taken off. It should also give her a certificate showing this if she asks for one, so she can reclaim the tax from HM Revenue & Customs if appropriate; and
  - 1.3 make arrangements to collect the vehicle and to deal with any request from the main dealer for payment of storage charges; and
2. pay Ms C £250.00 for distress and inconvenience.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms C to accept or reject my decision before 2 September 2024.

Christopher Gilbert  
**Ombudsman**