

The complaint

Mr M has complained about his parts and labour warranty provider London General Insurance Company Limited (LGI) because it has refused his claim for a failed timing chain which caused catastrophic engine damage.

What happened

In March 2024, Mr M was driving his car, which had been serviced just three months before at around 72,000 miles, when he heard a metal noise coming from the engine. He pulled over and called for roadside assistance. When assistance arrived, a fault with the engine was suspected and the car was recovered to a garage.

The car arrived at the garage with a flat battery, meaning the current mileage could not be read. The garage determined the timing chain had jumped – and catastrophic engine damage had occurred. It was felt a replacement engine would be required.

LGI considered a claim from Mr M. It noted though that the policy required sudden mechanical failure to have occurred for it to engage – and it didn't think this had happened. It thought that any damage which had occurred had been progressive. It noted that when oil had been removed from the engine it had contained particles – it said this was suggestive of a prolonged issue.

Subsequently both parties obtained further expert evidence. But LGI maintained that no sudden mechanical failure had occurred and the claim wasn't covered.

Mr M, facing storage costs for the car from the garage, ultimately had the garage replace the engine, although the old one was kept in storage (at a cost). He noted he was incurring financial losses of around £10,000 per month because the claim was affecting his ability to work. Mr M complained to the Financial Ombudsman Service.

Our Investigator considered the complaint. He was ultimately persuaded that LGI's decline was unfair. He thought it should accept the claim, cover any storage costs incurred for the car and pay Mr M £850 compensation.

LGI said the expert reports Mr M had provided, amounted to no more than opinions. With, it said, the reports not confirming the parts had not failed due to wear. Whereas, it said, it is an "evidence-based warranty provider". It said its reports showed damage had occurred overtime.

The complaint was referred to me for an Ombudsman's decision. I was minded to uphold it as I felt the available evidence showed there had most likely been a sudden mechanical failure. I said I thought LGI should reimburse Mr M's costs for replacing the engine, storing the car and storing the engine, all plus interest. Also, that it should pay Mr M £850 compensation for distress and inconvenience caused.

Mr M said he accepted my decision. LGI also said it accepted my findings and that it would start to arrange payments for Mr M once VAT invoices had been received. It said the invoice for the engine work should show a clear breakdown for parts and labour.

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 both parties have accepted my provisional decision, I've no need to review it or amend anything I said. I've set out what were my provisional findings below, for ease of reading I haven't italicised them. However, I can confirm that whilst initially issued provisionally, they are now the findings of this, my final decision.

I've first considered the policy wording.

LGI has been focussing on whether there has been a "sudden mechanical failure". That is not an exact term used in the policy. But I think that phrase does reasonably summarise the policy wording/cover.

The cover in the policy is explained as for (my emphasis):
"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".

The policy also explains that if a covered component fails and causes damage to other covered components – they'll be covered too.

Schedule 1 confirms "covered components" includes any mechanical and electrical parts.

The definitions section says that "Mechanical Breakdown" (my emphasis) is:
"The sudden and unforeseen failure of a component, not by wear and tear, normal deterioration or negligence. We are not liable for parts that have reached the end of their normal working lives because of age or usage."

I've considered then whether something "sudden and unforeseen" occurred, and whether there was failure of a mechanical part.

I think this was "sudden and unforeseen".

I say that because Mr M has said he was driving when he first experienced issues with the car. I'm mindful that Mr M serviced his car in-line with manufacturer requirements. I've no reason to think any issues were missed during the last service, or that anything had developed in the short period of time and mileage after that which had elapsed until the day of the recovery. I'm prepared to accept that as soon as he heard a problem with the car he stopped and sought assistance. Clearly, having sought assistance, the recovery agent's decision was to recover the car to a garage. As far as I've seen, there's no recovery or repair history or anything in the service history which points towards there having been an on-going, known fault with the car.

I think it's fair to say that there was likely a failure of a mechanical part.

The garage which initially stripped and assessed the engine ("W") found the timing chain had jumped, causing damage. Later W said the chain had *failed* prematurely.

A second garage ("M") said that damage like that caused to the engine of Mr M's car can only be caused when a timing chain is "out of time". It said that can be caused by failure of the component, or wear – but the latter only usually when there is high mileage and/or a lack of maintenance. M said there had likely been a premature failure.

LGI also reported initially that its engineer was satisfied that the timing chain had caused the damage. But felt the claim should be declined as the timing chain had likely stretched.

An engineer ("A"), later appointed by LGI, examined the timing chain. A said there was no sign of breaks in the chain.

I don't think that 'failure' necessarily requires a part to be 'broken'. The timing chain is a mechanical part. Its function is to keep the parts of the engine synchronised and in so doing, ensures parts which should not impact each other do not do so. If the chain does not function properly, and unintended impacts occur, I think it's fair to say the chain has failed. In saying that I'm also mindful that, when the recovery agent attended, it was deemed the car couldn't be driven and it was recovered to the garage.

I've then considered the report LGI obtained. Having done so I find it doesn't convince me that the timing chain was not the problem, or that the damaged engine was caused by a prolonged wear and tear issue.

LGI had A, assess the vehicle. A asked W, to prepare for its assessment by removing the timing chain and tensioners. A didn't seem to think the timing chain had necessarily caused the problem, but said if it had that was likely due to particles circulating around the engine. It said it had been told the oil had particles in it – but that the oil had been disposed of and it (A) had not seen the oil. It also said it hadn't seen the service history for the car. A's report explained that progressive damage would occur over thousands of miles, with vehicle and oil checks/changes being significant mitigation factors.

Overall I don't find this report particularly persuasive evidence in support of declining Mr M's claim. I find its focus is quite general – discussing what are the common causes of this problem, not stating what is *most likely* to have occurred to Mr M's car. The findings also seem highly speculative to me in that A accepted what it was told about the oil which seemed to suit its findings. But whilst it was aware that the likelihood of its suspected causes of damage might depend in large part upon the service history for Mr M's car, it didn't seek that history out or take it into account.

Further, Mr M has been able to show that his car was serviced regularly in line with manufacturer requirements. He has also provided detail from the manufacturer and the garage which serviced his vehicle confirming the oil removed during service would be visually assessed for contaminants, with engine faults being checked for too. I'm mindful his car was last serviced just three months before the car had to be recovered, with the service history showing that, on average, Mr M travelled less than 400 miles per month. There's no suggestion there was contaminated oil found during his last service – or any other type of fault that might be causing long-term issues. There is nothing that makes me think contaminated oil would have been put in his car at the last service, and seemingly the car had likely only travelled around 1,200 miles, not "thousands", in between the service and the car needing to be recovered. I'd add that A said the car's mileage was circa 75,000. I'm not sure how it came to that conclusion (the battery was flat when the car was initially examined and the engine was removed). Even if A's mileage is correct – I'm still not persuaded that

three thousand miles, since the mileage at the last service was recorded, equates to the “thousands” of miles A referenced in its findings as necessary for damage to occur.

I’m also mindful that this Service has an established approach to situations where wear and tear is alleged as the cause of damage.

If LGI wanted to show the timing chain itself had failed due to wear and tear, in line with our established approach and indeed its own terms it would have to show that the chain had suffered excessive wear and/or that the chain had simply come to the end of its expected life. A said the chain had some signs of wear, but didn’t suggest it was excessively worn, and the mileage for the car wouldn’t suggest that excessive wear would likely have occurred. Both W and M said premature failure had occurred. In addition, Mr M has provided evidence from a number of manufacturer garages. The manufacturer garages all seem to say the same thing – the timing chain is meant to last the life of the car, it is not something which the manufacturer requires to be changed at certain intervals (either of mileage or age of the car). So it would seem that the timing chain, on Mr M’s nine year old car which had travelled around 72,000 miles, failed unexpectedly here rather than having experienced excessive wear or because it had reached the end of its expected life.

I’m satisfied LGI should reasonably be covering this claim.

As explained above the policy offers cover for sudden and unexpected damage due to mechanical failure of covered components, and for other damage such failures cause. I’m satisfied that, here, there was likely a failure of a covered component – the timing chain – of Mr M’s car which caused damage to other covered components – most of the rest of the engine. It follows that I direct LGI to accept Mr M’s claim made in that respect.

Often when an insurer is directed to accept a claim, it will have an opportunity to go away and consider how to resolve the loss. It might be that, as a result, it will choose to repair a part, rather than replace it, for example. However, in this case, because LGI declined the claim, leaving Mr M with no car and costs accruing, he had the engine on the car replaced.

Replacing the engine means that LGI now has no choice about repair. But I’m satisfied that it was reasonable for Mr M to act to have the engine replaced. The garage was charging him for storage, they were pressuring him to let them do the work and he had no car.

Further I’ve seen that both W and M say replacement was always the only viable option here. I see that A did say a specialist might be able to repair the engine, and more economically. But A didn’t seem very certain over this and I’m mindful that everyone seems to acknowledge that particles had been moving around the engine. In any event, LGI left Mr M with no choice but to go ahead with repairing his car – and the experts available to him said that could only be done by replacing the engine. I think LGI reasonably has to meet Mr M’s costs for that work, plus interest applied on his outlay from the date he paid for the work until settlement is made.

Mr M incurred other costs and suffered other losses

Then there are storage costs for the car and engine. LGI should reimburse Mr M’s outlay in both of these respects. Again with interest applied to any sum paid by Mr M from the date of payment until settlement is made. In respect of the engine storage costs, LGI will only be liable for these up until a month after the date upon which Mr M accepts my final decision if he does so. That should allow time to dispose of the engine, thereby ending the charges.

I know Mr M was without his car for a prolonged period. But I note that he mitigated his situation in that respect by getting lifts from family and friends when he needed to go

somewhere. I appreciate that was inconvenient for him, but it did mean he incurred no additional charges. I see he's mentioned the cost of petrol – but that is a cost, if he'd been using his own car, that he would have always paid. I've taken the inconvenience into account below.

Mr M has described how this situation has affected his mental health and that he's spent hours researching matters as well as contacting experts and LGI. He's explained that all of that has impacted his ability to work – and that, being self-employed, his income had been affected. He'd like LGI to reimburse his difference in earnings from the same period the year before, some circa £10,000 a month.

I appreciate that this has been a difficult situation for Mr M to be in, I've no doubt he's been worried about his car, LGI's decline of the claim, and everything that's gone along with that. I can also see that Mr M has put in a lot of time trying to resolve matters. However, I've mentioned 'mitigation' above. In many ways I think Mr M has acted reasonably to mitigate the situation he found himself in due to LGI's unfair and unreasonable claim. I'm not persuaded though that placing the research above the importance of working was reasonable mitigation. Mr M knew that if he did not do the work that he takes an income from, he would not get paid. I can't reasonably require LGI to reimburse that type of foreseeable loss.

I'd add that whilst I've seen Mr M's bank statements which show comparison incoming payments between this year and last year, that only shows me that one particular income source, paid into that bank account, has lessened. And whilst that lessening might be because of this incident, that is not entirely clear. For example, I've seen no contracts that might explain how Mr M gets paid, or tax returns showing his incomings and outgoings for comparative years. Clearly Mr M believes his income has been reduced because of his dealings with LGI – but I'm not certain that is most likely the case. And, as I've said, if Mr M is correct in that respect, I can't reasonably require LGI to make-up for his losses.

I can award compensation for distress and inconvenience.

Mr M's car failed in March 2024. LGI issued an initial final response in May 2024 but it then agreed to undertake further assessments and investigations. Mr M then had the engine replaced in July 2024. By July 2024 the complaint was under investigation by our Service.

With Mr M having his car back, much of his inconvenience was resolved. But, of course, his monetary worry, having spent, he says, around £18,000 to replace the engine, has continued. I appreciate he has still been actively seeking and providing evidence too.

Our guidelines for compensation awards explain that we'll often award in the range of £750 to £1,500 where daily life has been impacted over a period of 'many months sometimes over a year'. Here, I'm satisfied that the biggest impact to Mr M occurred, as I've said, during the four months he was without his car. So, I think the £850 compensation suggested by our Investigator is fair and reasonable in the circumstances.

Putting things right

I require LGI to:

- Reimburse Mr M's cost to replace his engine. Plus interest*, applied from the date Mr M paid the invoice for works until settlement is made.
- Reimburse any costs Mr M had for storing his car. Plus interest*, applied from the date Mr M paid the invoice for storage until settlement is made.
- Reimburse any costs Mr M had for storing his engine, with LGI's liability for this ceasing one month after the date upon which Mr M accepts my final decision (if he does). Plus

interest*, applied from the date Mr M paid the invoice for storage until settlement is made.

- Pay Mr M £850 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 may require LGI to take off tax from this interest. If asked, it must give Mr M 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 M to accept or reject my decision before 3 January 2025.

Fiona Robinson
Ombudsman