

The complaint

Mr C complains about how Liverpool Victoria Insurance Company Limited (LV) handled a claim under his motor insurance policy for damage to his vehicle in an accident. He says his vehicle wasn't repaired properly, leading to the vehicle engine failing when returned to him.

Any reference to LV in this decision includes their agents.

What happened

In July 2023 Mr C's vehicle was involved in a collision with a van, causing damage to the front of his vehicle. He contacted LV to tell them about the accident. LV arranged recovery of his vehicle to an approved repairer (A) for the damage to be repaired. Three weeks later, A phoned Mr C to say the repairs were complete and his vehicle was ready for collection.

However, Mr C wasn't happy with how the vehicle felt while driving back from A and the vehicle suffered a major engine problem, a loud bang and smoke from the exhaust. Looking under the bonnet, there was a major oil leak. He contacted LV, who told him to return the vehicle to A. But they declined to take it back. LV then said they would arrange for an engineer (H) to inspect the vehicle. H didn't contact Mr C, who contacted LV and was told to take the vehicle to a garage of his choice (F) to inspect the vehicle and diagnose the issue. After four weeks, LV said they weren't content with the diagnosis from F, so Mr C should take the vehicle to a second garage to inspect and report. Mr C took the vehicle to W.

LV then arranged for H to inspect the vehicle at W (so W didn't inspect the vehicle). A also sent a representative to be present at the inspection. Mr C wasn't happy at this, so agreed with LV to take the vehicle to a manufacturer main dealer (T), to inspect the diagnosis and report whether the problem was related to the accident. T diagnosed the issue but declined to say whether it was likely caused by the accident. LV said Mr C could arrange for his own inspection by a suitably qualified engineer.

Unhappy at what had happened, Mr C complained to LV.

In their final response, issued in February 2024, LV set out the sequence of events, including the opinions of F (which LV didn't think sufficient to determine the cause of the engine problem. LV also referred to the main dealer report which didn't attribute the cause of the engine damage and to H's report which concluded the damage wasn't attributable to the initial accident or subsequent repairs. If Mr C wanted to dispute H's findings, LV said he would need to obtain an independent engineer's report. If they came to different findings, LV would consider matters further and – should they decide to accept the claim for the engine damage – reimburse Mr C for the cost of an engineer's report.

But LV acknowledged Mr C wasn't happy with the quality of H's inspection and that it took longer for LV to arrange for the vehicle to be inspected and discuss the findings with Mr C. In recognition of the delay, LV awarded £100 compensation.

Mr C then complained to this Service. He said his vehicle was fine before going in for repair, suggesting something had been missed before the vehicle was returned to him. He disagreed with the reliance LV were placing on H's report, as he thought H should have

carried out a more detailed investigation. He wanted LV to replace his vehicle or pay him the market value.

Our investigator upheld the complaint, concluding LV hadn't acted fairly. She thought LV should have investigated the issue to determine whether the engine damage as accident (or repair) related or not. But she wasn't persuaded the evidence showed LV had done enough to show the engine damage was unrelated to the accident, given the conflicting opinions of the various garages and engineers. She didn't think either F or H's reports were sufficiently detailed to conclude whether the damage was accident related or not (and there was some indication LV thought H's inspection wasn't detailed enough). The onus was on LV to show the damage wasn't accident related.

To put things right, the investigator thought LV should instruct a detailed investigation to determine the cause of the damage, whether it was accident related or not. If such an investigation concluded it was accident related, LV should reconsider the claim. LV should also consider reimbursing reasonable costs presented by Mr C for the period he had been without a vehicle, with supporting evidence, together with interest. LV should also pay £500 compensation for distress and inconvenience (les the £100 if already paid)

LV disagreed with the investigator's view and requested that an Ombudsman review the complaint. They provided evidence an engine oil change was due when the vehicle went in for repair and that the engine problem was due to general wear and tear and/or lack of maintenance. They also provided evidence there were no error messages present before or after repairs relating to oil or engine issues. On the comment from the main dealer about a hole in the sump, any such damage would be more consistent with driving over something. And the likely issue was (from the oil warning light) a lack of oil in the engine. Images from H's report also indicated oil had been escaping for some time, which would also be consistent with a lack of maintenance and wear and tear.

Mr C took issue with the points made by LV in their response. He said he'd serviced the vehicle himself and there was no evidence of an oil leak. He also provided a video of his vehicle just before the accident, showing no oil/service light on the dashboard. LV saying the oil warning light was on after the accident led him to conclude there was some damage to the oil system of the vehicle. Our investigator shared Mr C's further evidence with LV, but they maintained their view and request that an Ombudsman review the complaint.

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.

My role here is to decide whether LV have acted fairly towards Mr C.

The key issue in Mr C's complaint is the engine damage to his vehicle following its return from being repaired. He says the damage was either caused by the accident or during the repairs. LV disagree, saying the damage wasn't related to the accident or repairs, more likely being a pre-existing maintenance or wear and tear issue.

In considering this issue, as well as the views of Mr C and LV, there are various reports and opinions from the garages and engineers who inspected the vehicle, including the repairer (A), Mr C's garage (F), LV's engineer (H) and the main dealer (T).

Taking them in turn, A's repair report, produced when the vehicle was first recovered to them after the accident in July 2023, records the severity of impact as 'light' and damage to the left hand front of the vehicle. The photographs of the vehicle are consistent with this description.

One of the photographs shows the vehicle dashboard with a message 'Engine oil change due'. But there isn't anything to indicate low oil level or low oil pressure (assuming the vehicle had one or both of these warning messages). There photographs of the vehicle, including ones with the front bumper removed for replacement/painting but none of the engine, or anything to indicate an oil leak (or its absence).

F provided the following view, in the form of an email to Mr C in September 2023:

"...vehicle presented with no oil visible on dipstick to which 2 litres of oil was added to engine in order to get reading on dipstick. Upon starting we discovered oil heavily leaking from oil pipes, engine consuming its own oil and has low compression which indicates terminal engine damage caused by low oil pressure which was caused by associated damage to front of engine."

LV rejected this opinion as it wasn't a fully, diagnostic report. LV also challenged that the damage would have been caused by the accident (which involved damage to the front of Mr C's vehicle).

The vehicle was then inspected by H, while the vehicle was with W and Mr C and A present. H's report, dated October 2023, states the following:

"I confirm the following recommendations:

1. On examination the vehicle had no coolant in the header tank and all the engine oil has leaked out.

The oil leak appears to be coming from the front upper engine area but due to the excess oil in the area we are unable to confirm the exact cause of the oil leak and the front end of this vehicle will require to be stripped and cleaned to determine the exact fault.

Discussions with [A] have highlighted that no oil leaks were present when the vehicle was with them for repair.

We have found no evidence of impact to the front of this engine and on examination of the original damage it is my opinion that this oil leak is not related to the impact to the left hand front corner.

Strip and rebuild the front end for investigation."

H then conclude that in their opinion the oil leak is not related to the claim on notice.

However, Mr C makes the point that H didn't carry out a detailed inspection of the vehicle, which would be consistent with the statement above referring to their being unable to confirm the exact cause of the oil leak and recommending the front end of the engine be stripped and rebuilt for investigation. There's also a comment in LV's case notes that:

"After discussion with engineers, H should really have investigated the issue further."

Given H's comments and LV's comments, I think it would have been reasonable for LV to have commissioned that further investigation at the time. Not doing so was, I've concluded, unfair and unreasonable.

The invoice from T for their inspection of the vehicle includes the following statement:

“Investigated no oil or coolant in engine – confirmed. Found hole in oil sump – suspect conrod gone. Will require engine, turbo, vacuum pump, coolant reservoir and cap.”

This confirms what was already known, the lack of engine oil and coolant, together with what would be needed for repair. But it doesn't attribute the cause of the failure, although it does refer to a hole in the oil sump, which could account for the oil leak.

LV say, when responding to our investigator's view, the engine problem was due to general wear and tear and lack of maintenance. But in the absence of a more detailed inspection then this isn't persuasive. They also question F's view, saying it doesn't include an image(s) to support their conclusion the issue was due to associated damage to the front of the engine. However, I don't have any reason to doubt the view from F followed their inspection and was their opinion having inspected the vehicle.

LV also refer to the comment from T about the hole in the sump, saying it would have been caused by driving over something. But it's not clear how this would be consistent with the observation from H about the oil leak coming from the front **upper** engine area – LV's engineer notes the sump is at the **lowest** part of the engine (my emphases). LV also refer to H's images indicating oil had been escaping over time (not instantly). But, if that was the case, I would have expected it to be apparent when the vehicle was in for repair with A. But I've seen no evidence of this nor – as I've said – was there any clear low oil level/pressure warning light (as opposed to oil change service due message). And Mr C has provided a video taken just before the accident that shows no such warning light on the vehicle dashboard.

Given the differences between the various garages and engineers and the uncertainty over the exact cause of the oil leak and consequent engine damage, together with LV's acknowledgement H should have carried out a more detailed investigation (as H themselves recommended) then I've concluded a reasonable way forward would be for a further, detailed inspection to be carried out with a view to concluding on the cause (or most likely cause) of the oil leak and engine failure. Given the conflicting views, I think this should be from an independent engineer agreed between Mr C and LV. In the circumstances, I think it fair and reasonable for this to be paid for by LV.

Should any such inspection and subsequent report conclude the oil leak and engine damage was most likely due to the accident (or subsequent repairs while with A) then I think it reasonable for LV to re-assess the claim in accordance with the policy terms and conditions.

Given my conclusions, I've also considered what else LV should do to put things right.

LV have acknowledged delays in arranging for H to inspect the vehicle, with the inspection not taking place until October 2023 (the accident and repairs took place in July 2023). I've also considered what Mr C has told us about the impact of not having his vehicle following the engine damage. Should the further inspection indicate the most likely cause of the oil leak and engine damage be accident or repair-related, then LV should also consider (as part of their re-assessment of the claim) any evidenced costs Mr C can support for the impact of being without his vehicle (together with interest, at a rate of 8% simple, from the date he can show the costs were incurred to the date of reimbursement of the costs).

I've also considered the impact of what's happened on Mr C, in terms of the distress and inconvenience he's suffered. I think this has been significant over an extended period from the date his vehicle was returned (and the engine damage) through the various inspections and reports up to LV's final response to his complaint in February 2024. LV acknowledged the delays in arranging H's inspection in their final response, awarding £100 compensation,

However, considering the circumstances of the case, the length of time involved and the published guidance on awards for distress and inconvenience from this Service, I think a higher award would be fair and reasonable to reflect the significant disruption and impact on Mr C. I've concluded a further £400, in addition to the £100 already awarded (assuming it has been paid) would be fair and reasonable.

My final decision

For the reasons set out above, my final decision is that I uphold Mr C's complaint. I require Liverpool Victoria Insurance Company Limited to:

- Carry out a further, detailed inspection through an independent engineer agreed with Mr C, to conclude on the most likely cause of the oil leak and engine damage to Mr C's vehicle.
- (Should any such inspection and subsequent report conclude the oil leak and engine damage was most likely due to the accident, or subsequent repairs while with A) then Liverpool Victoria Insurance Company Limited should re-assess the claim in accordance with the policy terms and conditions. They should also consider, as part of their re-assessment of the claim, any evidenced costs Mr C can support for the impact of being without his vehicle (together with interest, at a rate of 8% simple, from the date he can show the costs were incurred to the date of reimbursement of the costs).
- Pay Mr C a further £400 compensation for distress and inconvenience (in addition to the £100 awarded, assuming they've already paid that sum).

Liverpool Victoria Insurance Company Limited must pay the compensation within 28 days of the date we tell them Mr C accepts my final decision. If they pay later than this they must also pay interest on the compensation from the date of my final decision to the date of payment at 8% a year simple.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C to accept or reject my decision before 25 February 2025.

Paul King
Ombudsman