

The complaint

Mr I complains about the amount Red Sands Insurance Company (Europe) Limited paid to settle a claim he made on his motor warranty.

Reference to Red Sands includes its agents.

What happened

Mr I holds a motor warranty with Red Sands. When his vehicle broke down, he made a claim for the damage caused. Red Sands accepted the claim.

Mr I complained about how much Red Sands paid to settle that claim. He wasn't happy they didn't match the labour rate of his repairer, or that it said he had to pay 50% of the cost in addition to the standard excess.

Red Sands said the labour rate was capped at what it would pay its repairers. It said this was listed on its website at £40. It said the 50% excess was due to the mileage of Mr I's car and said this was set out in the terms and conditions of the policy.

Mr I wasn't happy and brought his complaint to us.

Our Investigators recommended his complaint be upheld. They thought the 50% excess was clear in the terms of the policy and therefore fair. But they thought the labour rate was unclear, and recommended Red Sands pay a higher fee as its website indicated it would.

Mr I didn't respond to that assessment. Red Sands disagreed and pointed to the wording on its website.

Because things remain in dispute, the case has come to me to issue a decision.

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'm upholding the complaint. I'll explain why.

The 50% excess

Mr I's policy makes it clear that if the mileage of the insured vehicle exceeds 60,000 an additional excess (on top of the standard £10 excess) will apply. It clearly sets out that the additional excess will be a proportion of the claim. Mr I's car at the time had travelled more than 100,000. And in line with the terms of his policy with Red Sands, that meant a 50% excess applied.

Therefore I'm satisfied Red Sands was acting fairly, and in line with the terms of Mr I's policy, when applying a 50% excess to his claim.

Labour rate

Here, Red Sands has capped the labour rate at £40 per hour. From what I can see, Mr I used his own repairer to carry out the repair. Under the terms of the policy, when that happens, Red Sands says *“WE will pay up to a reasonable REPAIRER retail price for PART(s), up to the labour rate of OUR approved REPAIRER as stated on the website and the standard ICME Mechanical Repair Times.”* Which indicates the most it will pay for labour is what it would pay its approved repairer as set out on its website.

But that website says *“The hourly labour rate of £40 per hour, charged by our approved repairers is covered in full, ... however, if you choose to use your own repairer, our claims administrator, XXXX, will pay up to the equivalent [its] national labour rate, which is currently £57.60 per hour including VAT if the repairer is inside the M25 and £48.00 per hour including VAT if the repairer is outside the M25.”* This indicates that if using a non-approved repairer, the labour rate will not be capped at £40, but at £48 or £57.60 depending on where the repairer is located.

The terms here are somewhat contradictory, but because the policy terms refer to the website, and the website indicates the labour rate will be capped at a different rate if Mr I's own repairer is used, I think the fair and reasonable outcome would be to cap labour at the rates set out on the website. Because that repairer looks to be within the M25, that should be £57.60.

Putting things right

Red Sands should recalculate its contribution on this claim based on the labour rate set out on the website - £57.60.

Red Sands should pay Mr I the difference between that new labour contribution and what it's already paid him based on the labour rate being capped at £40 per hour. 8% simple interest per annum should be added on to this payment. Interest should be calculated from the date Red Sands paid Mr I's repairer, to the date it makes this payment to him.

My final decision

For the reasons set out above, my final decision is that I uphold this complaint. Red Sands Insurance Company (Europe) Limited should now carry out the direction set out in the section above entitled “Putting things right”.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr I to accept or reject my decision before 17 March 2025.

Joe Thornley
Ombudsman