

The complaint

Mr L complains that Automotive Compliance Ltd mis-sold his motor warranty.

What happened

When Mr L purchased a used vehicle he also purchased a motor warranty sold by Automotive Compliance Ltd.

But when Mr L came to need the warranty and made a claim against it, he found that the warranty he had wasn't the same as the one he thought he was purchasing.

Mr L thought he was purchasing a four-star warranty. This warranty had no claim limitations. But instead, the warranty that was given to him was a three-star warranty which has a limit of £1,00 per claim.

Mr L complained and said the warranty had been switched without him knowing. He wanted a refund of the warranty and of the car too. And he thought his claim should be paid too.

Automotive Compliance Ltd didn't uphold Mr L's complaint. It said it had made it clear when the policy was sold what Mr L was purchasing.

Unhappy, Mr L brought his complaint to the Financial Ombudsman Service.

Our Investigator recommended it be upheld. She didn't think it was made clear to Mr L that he was purchasing the three-star warranty and not the four-star one. She said all the documentation sent was in relation to the four-star warranty. She said Mr L's car wasn't ever eligible for the four-star warranty so it should never have been sold to him – or more accurately, it never should have been even presented as an option to him.

Our Investigator was satisfied that if it was made clear to Mr L that he was buying the three-star warranty and not the four-star one, he'd have not purchased it. But she said from what she'd seen (although she wasn't looking into a complaint about it), the claim was declined because the failure was deemed to be poor maintenance or wear and tear. Our Investigator said she didn't think another policy would likely have covered Mr L's claim either.

Our Investigator recommended Automotive Compliance Ltd refund the policy, with interest. And she recommended it pay Mr L £100 compensation.

Automotive Compliance Ltd accepted that assessment. Mr L didn't and asked for an Ombudsman's decision. He said without a warranty he wouldn't have purchased the car.

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 it. My outcome is the same as that reached by our Investigator, for broadly the same reasons. I'll explain.

Here, now, it's not really in dispute that this policy was mis-sold to Mr L. Automotive Compliance Ltd has acknowledged as such. So I don't intend to go into detail about how or why that happened.

What remains in dispute is what Automotive Compliance Ltd needs to do to put things right.

Our approach is that when a business makes an error, it needs to put the customer back in the position they would have been, were it not for that error. Sometimes this is simple, sometimes it's a bit more complicated because it requires consideration of actions that the customer, or indeed the business didn't take, but may have taken in different circumstances. And decision is taken here with the benefit of hindsight, so I understand that Mr L may not agree with everything I say.

Here I'm satisfied that had it been made clear to Mr L that the warranty being sold to him was the three-star warranty, he wouldn't have gone ahead with the purchase.

Mr L has said that without a warranty he wouldn't have bought the car. And that may well be the case. But simply because he wouldn't have bought *this* warranty doesn't mean he wouldn't have bought *any* warranty. Mr L clearly liked the car he purchased – that's why he purchased it. And I accept having the piece of mind of a warranty was likely a factor in his decision. But, rather than not buy the car, I think it's more likely he'd have searched for a different warranty. And I've not seen any persuasive evidence to support that another warranty wouldn't have been available to him.

So, I think had everything gone as it should have, Mr L would not have purchased the three-star warranty. But I think he'd have still purchased the car and most likely purchased another warranty.

So, I'm satisfied he would have had the cover of another warranty. So why am I not asking Automotive Compliance Ltd to pay for his claim?

That's because, from what I've seen his claim was declined because the cause of the fault was deemed to be wear and tear and/or poor maintenance. Now, I'm not looking into that decline, that's not within the scope of this complaint. So, I can't be 100% sure it's fair. But if it is, I think it's unlikely any warranty Mr L may have purchased would have covered it. All warranties, like all insurance policies have terms and conditions and no warranty covers every part for every reason it fails. Wear and tear and poor maintenance are two common exclusions in warranty policies. And while some warranties do provide cover for wear and tear, this is often only up to a certain mileage. I've not been provided anything to show Mr L would have purchased a warranty that would have covered either of these two things on his car.

So that means, had everything gone as it should have, Mr L would not have purchased the three-star warranty. But I think he'd have still purchased the car and most likely purchased another warranty. But I find it unlikely that warranty would have covered this claim.

Now, because I think Mr L would have bought another warranty, that would have come at a cost to him. It's not possible to know with any certainty what that cost would have been though. So, I don't think the full price of the three-star policy sold by Automotive Compliance Ltd is his true loss. I think his true loss is this warranty, less anything he would have paid on the warranty he ended up purchasing. But, as set out above, we've no way of knowing what that is. So, in all the circumstances, I'm satisfied, like our Investigator, that refunding this policy, with interest is a fair and reasonable outcome.

Like our Investigator, I'm satisfied this will have caused distress and inconvenience to Mr L.

For that Automotive Compliance Ltd should pay him £100.

Putting things right

Automotive Compliance Ltd needs to:

- Refund Mr L the cost of the three star-warranty plus interest*. Interest should be calculated from the date Mr L purchased the warranty until the date Automotive Compliance Ltd refunds him.
- Pay Mr L £100 compensation

My final decision

For the reasons set out above, my final decision is that I uphold this complaint. Automotive Compliance Ltd needs to take the action set out in the “Putting things right” section above.

*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 Automotive Compliance Ltd to take off tax from this interest. If asked, it must give Mr L a certificate showing how much tax it's taken off

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr L to accept or reject my decision before 16 October 2025.

Joe Thornley
Ombudsman