

The complaint

Mr J complains Financial & Legal Insurance Company Ltd (F&L) unfairly declined a claim he made on his motor warranty.

What happened

In April 2024 Mr J took out a F&L policy. In June 2024, Mr J's van broke down. He said he was driving when an oil light came on. He said the engine then got noisier and so he stopped the car when it was safe to do so. F&L asked Mr J for some information relating to the van, including its service records, but it ultimately declined the claim. It said the engine issue wasn't covered under the warranty as the vehicle hadn't had the correct services carried out in line with the manufacturer's recommendation.

Mr J complained about F&L's decision, and it agreed to send an assessor to review the vehicle once the engine had been disassembled. However, F&L still maintained the decline of the claim. It said the assessor had confirmed that the damage had been caused due to a lack of oil to the crankshaft bearings. It said given the short amount of mileage covered since the start of the policy (just under 450 miles), the issues on the vehicle would've been apparent or had started before the start date of the policy. As such, the repairs needed were not covered by the warranty as pre-inception damage is excluded under its terms.

Unsatisfied with FL's response, Mr J referred his complaint to the Financial Ombudsman Service for an independent review. He said F&L had asked him to send a video of the engine running, which he believes could've caused even further damage. He said he'd now paid for the necessary repairs himself because he needed to use his van.

He said once the engine was stripped, the engineer concluded the chain that was driving the engine oil pump had snapped, resulting in no oil going into the engine, which caused the damage to the crankshaft and other parts of the engine.

Our Investigator ultimately upheld the complaint. She said F&L's report doesn't comment on the oil levels and given the vehicle had a timing belt replaced in 2023, and was recently serviced, if it had had an issue with oil levels or the engine, it would've been picked up at that stage. So she considered it was more likely that the damage was covered by the policy. She said as Mr J had now had the repairs carried out, F&L should reimburse Mr J what he paid, with 8% interest applied. She also recommended F&L pay £150 compensation for the unnecessary distress and inconvenience caused in declining the claim.

F&L didn't agree to that outcome. It said the car was noted to have an oil leak at the MOT in January 2024. It said when it assessed the engine, a large amount of metal filings were found around the engine block, and the big end bearings had started to break up due to a lack of oil to them. It said the engine had seized, causing the timing chain to snap.

It further said that the car has both a timing belt and timing chain. So a timing belt being replaced isn't relevant to the claimed for damage relating to the timing chain as they perform separate functions.

As the matter hadn't been resolved, it came to me to decide. In April 2025 I issued a provisional decision on this complaint. I explained that I intended to reach the same outcome as our Investigator, but for different reasons. A copy of what I wrote is below.

Whilst there is some dispute over the cause of damage to the vehicle, from reading the policy terms it seems to me that Mr J's warranty covers the damage reported. So on the face of it, Mr J has a valid claim under the policy. F&L has said it declined the claim because of a lack of servicing, but also because it considered the damage must have begun before the policy started, given it had only driven 440 miles since the policy was taken out.

Whilst it hasn't specifically set out the exclusion it's relying on, owing to its comments, I think the exclusion referred to includes under the "what is not covered" section: "faults which were on the insured vehicle at the time of purchase, or caused by poor servicing or previous repair".

Because F&L is seeking to rely on an exclusion to decline the claim, the burden of proof is on it to show it fairly applied this exclusion and that the fault was most likely on the vehicle when the warranty was taken out. So the questions for me to consider are, was the fault on the vehicle at the time of purchase? And what "purchase" is the term referring to? The purchase of the vehicle? Or the purchase of the warranty?

From reading the term as it is in the policy, my view is that it is saying it doesn't provide cover for faults on the vehicle at the time of purchasing the vehicle. There isn't anything in the wording that refers to faults on the vehicle when the warranty is taken out. There is no mention of the warranty in this term. The term is referring to the vehicle, so I think it's reasonable to read that term as referring to faults on the vehicle at the time of its purchase.

Having read all of F&L's submissions, I'm not satisfied it has shown the fault was on the vehicle when it was purchased, which means F&L can't fairly rely on the term to decline the claim.

However, even if I interpret the term another way, and read it as though it is referring to faults on the vehicle when the warranty was purchased, I'm still not satisfied F&L has fairly shown this was the case.

The view of F&L's engineer was that this fault "would have been developing at the time of going on risk." I'm not persuaded this is enough to say there was a fault on the vehicle when the warranty was taken out in April 2024. A fault 'developing' is in my view not the same as a 'fault' being present. The 'fault' I consider happened in June 2024, when the claim was made and after the warranty cover had started.

And so as F&L hasn't shown there was a fault on the vehicle at the time of its purchase, or when the warranty was taken out, it follows that I intend to decide it can't fairly rely on the exclusion to decline the claim.

Mr J has had the repairs carried out in the vehicle, in order to continue using it for work. So to resolve the complaint F&L will need to reimburse Mr J what he paid for the repair, subject to any policy limits. And given Mr J has been unfairly without those funds since repairs were carried out, I intend to decide F&L will also need to add 8% simple interest onto the amount Mr J paid, from when he paid it, until the date of settlement.

I've no doubt F&L's unfair decline of the claim has resulted in a difficult time for Mr J; he's said paying for the repairs meant he struggled to make other necessary payments. And given he needed the vehicle for work, he had no choice but to refund repairs, which had caused him distress. As such I intend to decide it's fair and reasonable that F&L pay £300 compensation to reflect the unnecessary distress and inconvenience caused.

Responses to the provisional decision

Mr J responded to say he was happy with the findings. F&L didn't provide a response.

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 neither party has provided any further information for me to consider, having considered matters again I see no reason to depart from the findings set out in my provisional decision. As such the findings of my provisional decision are now that of this, my final decision.

My final decision

My final decision is that I uphold this complaint and direct Financial & Legal Insurance Company Ltd to:

- Reimburse Mr J what he paid for the repairs, plus 8% simple interest per annum* from the date Mr J paid for the repairs, until the date of settlement.
- Pay Mr J £300 compensation for distress and inconvenience.

*HM Revenue & Customs may require Financial & Legal Insurance Company to take off tax from this interest. If asked, it must give Mr J a certificate showing how much tax it's taken off.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr J to accept or reject my decision before 6 June 2025.

Michelle Henderson
Ombudsman