

The complaint

Mr M has complained about his motor warranty provider Red Sands Insurance Company (Europe) Limited because it declined his claim for two failed turbos.

What happened

Mr M's garage contacted Red Sands to make a claim – two of his car's turbos had failed. The turbos were full of oil and coolant respectively and had seized. The seals were leaking on the primary turbo, the secondary turbo contained coolant and was shown to have a buildup of carbon deposits "around the piston ring area allowing oil to pass".

Red Sands declined the claim for both turbos. It said, regarding the primary turbo, that seals fail over time and there was no evidence of sudden failure. Regarding the secondary turbo it referred to an exclusion to cover: "Parts not covered – cracked or porous cylinder heads and blocks; burnt valves; carbon deposits; skimming or pressure testing".

Mr M said Red Sands was making assumptions about the primary turbo. He said that the policy wording it had quoted in support of its decline of the secondary turbo was unclear. When Red Sands would not change its decision, Mr M complained to the Financial Ombudsman Service.

Our Investigator said leaking seals is consistent with something occurring over time rather than suddenly. She said she thought the policy wording about carbon deposits was clear. So she wasn't minded to require Red Sands to do anything differently.

Mr M remained unhappy. He said Red Sands had declined the whole claim, for both turbos, on the basis of carbon deposits. He maintained the wording was ambiguous.

The complaint was referred to me for an Ombudsman's decision.

I was of the opinion that Red Sands should be covering Mr M's claim for both turbos. I thought that its decline of the claim for the primary turbo – on the basis that there was no sudden failure – was unfair and unreasonable. Further, regarding the secondary turbo, I thought it had interpreted its own policy wording incorrectly. I issued a provisional decision to explain my views. My provisional findings were:

"Primary turbo"

There isn't much detail available about this turbo. But the garage said it had seized. That, to me, seems like a sudden failure as required by the policy. Whilst it seems the failure was caused by oil having leaked through seals, and seals do fail over time, Red Sands has not shown that the turbo had reached the end of its usually expected life-span.

Further, whilst Red Sands says failure of seals is not covered by its policy – the policy specifically states that it will cover replacement of any oil seal. And there is no specific exclusion for damage caused by failed/failing seals. If Red Sands had wanted to reasonably

decline this part of the claim it would need to have shown the turbo had failed sooner than expected such that it was suffering wear and tear. It didn't do that. It reasonably now must cover this part of Mr M's claim. I understand Mr M paid for the repair, so any settlement paid will attract interest.

Secondary turbo

Mr M thinks the policy term relied upon by Red Sands for the secondary turbo (I've quoted it above) is unclear. I agree with him that it is not written very well. But I think it is clear enough to satisfy me it does not reasonably apply to his claim. I'm satisfied, reading the term in the context of the policy shows this is an exclusion for cylinder heads and blocks. Such that if a claim for a porous cylinder head or block was made, where it had failed due to carbon deposits, Red Sands might look to apply this exclusion to remove its liability for cover. It does not, therefore, reasonably apply to or offer Red Sands a chance to reasonably decline Mr M's claim for his failed turbo.

I say this because Mr M is correct, this particular exclusion list is meant to be for excluded parts. And "carbon deposits" are not a 'part'. They are something which causes damage to a part. So it makes no sense for them to be listed in their own right within the 'parts not covered' section. Especially as there is a different section which says claims won't be covered for 'damage caused by...' and carbon deposits are not listed in that section.

In my view there is no suggestion in the policy that Red Sands is seeking to exclude liability for any claims where damage is caused by carbon deposits. I think Red Sands must cover this part of Mr M's claim. I understand Mr M paid for the repair too, so any settlement paid will attract interest.

Compensation

Red Sands, in my view, acted unfairly here. Red Sands was entitled to ask the garage for evidence, but once that evidence was received Red Sands applied its policy wording unfairly to decline the claim. That caused Mr M to have to pay to have his car repaired. I appreciate that was frustrating and inconvenient. I'm satisfied that Red Sands should pay Mr M £250 compensation.

I note Mr M says he would like to receive reimbursement of the policy premium as compensation. However, I am requiring Red Sands to settle his claim under the policy so I can't reasonably require it to reimburse that sum. In any event, the policy cost was £699 which is more than the compensation sum I feel is fairly and reasonable due in this instance – £250 – to make up for the upset caused by Red Sands' failure."

Mr M said he accepted my provisional decision. Red Sands said it would agree to cover the secondary turbo. Regarding the primary turbo, Red Sands said it didn't agree with my provisional findings.

Red Sands referred to an engineering definition of 'seized'. It said that definition doesn't constitute "sufficient evidence to qualify a claim as sudden mechanical failure". And the mileage the car had travelled does not suggest this either. Regarding the policy wording for seals, it said a list of seals is given, the policy does not say it will cover all seals.

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.

Mr M has accepted my findings and Red Sands has agreed to cover the claim for the secondary turbo. Neither party has objected to what I said about compensation. As such, I won't revisit my provisional findings issued in these respects.

The remaining point in dispute is the claim for the primary turbo. Red Sands has referenced an engineering definition for 'seized':

"When moving parts in a machine become stuck due to lack of lubrication, wear and tear or contamination."

Red Sands doesn't think that amounts to a "sudden mechanical failure" as required by the terms. It hasn't explained this any further. It's possible it thinks that seizure is a process which occurs overtime rather than suddenly. But, for me, the important word within the definition is "stuck". Meaning function has ceased – the mechanical parts have failed as they are no longer moving. And, arguably, when something "stops" that is a single/sudden point – at one point it was moving, if slowly, the next it has stopped.

As I said provisionally, if Red Sands had wanted to show this was not a sudden failure it would have had to have shown the part had reached the end of its naturally expected life. Red Sands' passing comment here, about mileage, does not evidence that.

I note Red Sands' comment about oil seals. The policy does give a list of certain seals. But it then also says (my emphasis) "Any oil seal the engine or gearbox needs as part of a repair under this warranty". The turbo is part of the engine and it has an issue with the oil seal. So I remain of the view it's reasonable to say the policy purports to offer cover in this instance.

I also remain of the view, having considered Red Sands' objections to my provisional findings, that it is reasonably liable for Mr M's claim for the failed primary turbo. Along with the claim for the secondary turbo and payment of £250 compensation. As such, my provisional findings, along with my further comments here, are now the findings of this, my final decision.

Putting things right

I require Red Sands to:

- Settle Mr M's claim for two failed turbos in line with the remaining terms and conditions of the policy. To any sum paid, add interest* from the date Mr M paid for the repairs until settlement is made.
- Pay Mr M £250 compensation for upset.

*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 Red Sands 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 Red Sands Insurance Company (Europe) 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 10 July 2025.

Fiona Robinson
Ombudsman