

The complaint

Ms G complains that Red Sands Insurance Company (Europe) Limited declined a claim on her motor warranty.

Throughout the complaint process, Ms G has had a representative helping her. In this decision, any reference to Ms G includes the actions and comments of her representative.

What happened

Ms G took out a three-year motor warranty with Red Sands in January 2024. In January 2025, Ms G's car broke down on her way back from holiday. It was diagnosed that a faulty turbo had caused engine failure. Ms G logged a claim with Red Sands. Red Sands instructed an independent inspection and as a result of the findings, declined the claim due to neglect and a lack of servicing causing wear and tear. Ms G was unhappy and raised a complaint. Red Sands didn't change their outcome as they didn't think they'd done anything wrong. Still unhappy, Ms G brought the complaint to this service.

Our investigator upheld the complaint. They didn't think it was fair for Red Sands to decline the claim. Our investigator didn't think there was evidence to support neglect or a lack of servicing. Red Sands appealed. They said there was no evidence to support Ms G had checked her oil level in line with the manufacturer's recommendations. As no agreement could be reached, the complaint has been passed to me to make a final 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.

When considering complaints such as this, I need to consider the relevant law, rules and industry guidelines. The relevant rules, set up by the Financial Conduct Authority, say that an insurer must deal with a claim promptly and fairly, and not unreasonably decline it. So, I've thought about whether Red Sands acted in line with these requirements when it declined Ms G's claim.

At the outset I acknowledge that I've summarised her complaint in far less detail than Ms G has, and in my own words. I'm not going to respond to every single point made. No discourtesy is intended by this. Instead, I've focussed on what I think are the key issues here. The rules that govern the Financial Ombudsman Service allow me to do this as it's an informal dispute resolution service. If there's something I've not mentioned, it isn't because I've overlooked it. I'm satisfied I don't need to comment on every individual point to be able to reach an outcome in line with my statutory remit.

The warranty covers all mechanical and electrical parts against mechanical breakdown. Mechanical breakdown is defined as:

“The failure of a part, causing it to suddenly stop working, for a reason other than general wear and tear or negligence.”

General wear and tear is defined as follows:

“The gradual reduction in performance and or the gradual failure of a component due to the age and mileage of the vehicle.”

The policy also has the following exclusions:

“6.9 Neglect, corrosion, rust or deterioration.

6.14 Not keeping the vehicle in a roadworthy condition, including maintaining oil and coolant levels.

6.15 Not servicing the vehicle in line with the servicing requirements within the servicing section of these terms and conditions.

6.27 Failure for general wear and tear where the vehicle has exceeded 10 years old or 100,000 miles at the time of an authorised claim.”

Ms G’s garage confirmed to Red Sands that the oil starvation was caused due to the turbo seizing. Red Sands asked for confirmation as to why the turbo seized but they weren’t able to confirm this as they weren’t a turbo specialist. Red Sands then arranged an independent inspection. The conclusion from this report was as follows:

“The failure of this engine and associated components is the result of prolonged oil starvation, not a sudden or unforeseen mechanical failure...”

There is no evidence to support that a sudden mechanical or material failure occurred. The failure is consistent with ongoing neglect or a lack of servicing and should be classed as progressive, maintenance-related issue, not an insurable even under a sudden failure clause.”

Many car parts will gradually deteriorate over time. Most of these parts will fail at some point because they’re worn out. However, there’s a difference between a part failing when it’s worn out as expected and when it fails quicker than expected. As a service, we wouldn’t expect an insurer to decline a claim for wear and tear when a part has failed sooner than expected, unless this was shown to be due to poor maintenance. Ms G has provided some information which suggests the turbo should have lasted the life of the car or at least 200,000 miles. Red Sands haven’t provided anything to dispute this. So, based on the information I’ve been provided, I think it’s likely the part has failed sooner than expected and so Red Sands can’t rely on wear and tear to decline the claim unless this was due to poor maintenance.

The independent report was instructed to be a parts-only inspection. So, there is no commentary as to why oil starvation has occurred. Ms G had her car serviced six months prior to the failure, if the car was fault free, it would normally be expected that the car wouldn’t have been low on oil just six months after a service.

Red Sands have accepted that Ms G had her car serviced in line with manufacturers recommendations. They’re relying on there being no evidence that Ms G had checked the oil levels in line with manufacturers recommendations. Ms G has said she checked the oil levels of the car on at least a weekly basis and had checked them the morning of the fault occurring. I don’t think it’s reasonable for Red Sands to expect Ms G to be able to provide evidence that she’s completed these checks.

Our investigator asked Red Sands to provide some additional information to their independent engineers and ask for their comments. This was because their report suggested the car hadn't been serviced. To date, Red Sands haven't provided anything further. I'm satisfied we've taken sufficient steps, and given sufficient time, to enable them to respond. I must be fair to both parties and don't feel it's reasonable, in this case, for Ms G to have to continue waiting for an answer to her complaint.

My understanding is that an oil light will usually come on when oil pressure is low. I've not been provided with any evidence to support an oil light had come on and been ignored for a sustained period of time. It's unknown what caused the oil starvation or why it was ongoing for a sustained period. Overall, based on what I've seen, I'm not persuaded that Red Sands acted fairly in declining the claim. So, I think they should pay the claim.

I appreciate that it must have been frustrating for Ms G to have to be without the car and have to borrow funds from a friend to pay for the car to be repaired. Although this is a distilled version of events, I've considered everything in the round and I think Ms G has been caused an unreasonable amount of distress and inconvenience which has required a reasonable amount of effort to sort out. In line with our website guidelines, I think £300 compensation is fair and reasonable.

Putting things right

To put things right, Red Sands should do the following:

- Pay the claim in line with the policy terms and conditions.
- Pay 8% simple interest* on the claim payment from 17 April 2025 until the date the claim is paid.
- Pay Ms G £300 compensation for the trouble and upset caused.

* If Red Sands considers that it's required by HM Revenue & Customs to deduct income tax from that interest, it should tell Ms G how much it has taken off. It should also give Ms G a tax deduction certificate if she asks for one, so she can reclaim the tax from HM Revenue & Customs if appropriate

My final decision

For the reasons I've explained above, I uphold this complaint and direct Red Sands Insurance Company (Europe) Limited to put things right by doing as I've said above, if they haven't already done so.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms G to accept or reject my decision before 6 January 2025.

Anthony Mullins
Ombudsman