

The complaint

Mr B complained about Red Sands Insurance Company (Europe) Limited declining a claim on his motor warranty. Mr B also complained about the service he received from Red Sands.

What happened

Mr B took out a motor warranty with Red Sands in December 2024. He'd purchased the car in September 2024 and had originally had the car covered by a warranty provided by the dealer. In January 2025, Mr B took the car to a garage after an unusual feeling whilst changing gear. It was diagnosed there was an issue with the torque converter and clutch plates. Mr B raised a claim but it was declined. Red Sands said the damage had been ongoing over a long period of time. Mr B complained. Whilst they didn't think they'd incorrectly declined the claim, they accepted the service provided could have been better and awarded £200 compensation. Mr B was still unhappy so brought the complaint to this service.

Our investigator didn't uphold the complaint. They felt Red Sands had declined the claim fairly and in line with the policy terms and conditions. This was because they didn't think the breakdown was sudden and unforeseen. Mr B appealed. He said he's covered for wear and tear and no issues had been raised with the car prior to taking out the warranty. As no agreement could be reached, the complaint has been passed to me to make a final decision.

Because I disagreed with our investigator's view, I issued a provisional decision in this case. This allowed both Red Sands and Mr B a chance to provide further information or evidence and/or to comment on my thinking before I made my final decision.

What I provisionally decided – and why

I previously issued a provisional decision on this complaint as my findings were different from that of our investigator. In my provisional decision, I said:

"I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

Based on what I've seen so far, I intend to uphold Mr B's 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 Mr B's claim.

At the outset I acknowledge that I've summarised his complaint in far less detail than Mr B 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.

As a starting point, it's important to set out what this decision covers. Mr B has raised a separate complaint about the service he received prior to the claim being declined. This is currently being reviewed under a separate complaint. So, this decision only covers events from 4 February 2025 to 3 June 2025.

When looking at complaints about a claim being declined, it's important to understand why the insurer has declined the claim. In this case, Red Sands have said the following:

"In relation to the decline of your claim, this is correct as per the assessment report, and due to your vehicle only travelling 100 miles since the date of inception, the evidence suggests this fault would have developed prior to the policy start date"

This relied on information within an independent inspection. The conclusions of the report were as follows:

- The transmission has not suffered from a sudden and unforeseen incident.*
- The clutch plates exhibit thermal stressing, discolouration, and accelerated wear, likely caused by the damper spring failure in the torque converter. This would have resulted in the converter chatter, leading to further accelerated wear on the transmission clutch.*
- The evidence strongly suggests that the damage and wear to the torque converter and clutch plates developed over a prolonged period, far exceeding 100 miles.*

It's also important to understand what is covered by the policy. The terms and conditions set out the following:

"This policy is designed to pay towards the costs of part(s) and labour for repairs following breakdown of part(s), up to the claim limited and listed under the policy type selected by you and stated on the schedule."

Breakdown is defined as follows:

"The actual and sudden mechanical failure of any part(s), causing a sudden stoppage of its function and which necessitates repair or replacement to resume those functions."

Prior to Mr B buying the car, it had a MOT in July 2024 and there were no reported issues with the car. When Mr B bought the car, it had completed 56,516 miles. Immediately prior to Mr B buying the car, there had been inspections which reported no issues with the transmission or clutch. Mr B took the car to a manufacturer dealership in October 2024 for a health check. The mileage completed was recorded as 56,822 with no issues reported with the transmission or clutch. When Mr B purchased the warranty, the mileage completed was disclosed as 57,600. At the point of claim, Mr B has reported the mileage completed was around 57,800.

In the inspection section of the independent report, it states the following:

- The torque converter showed visible damage, and the clutch plates displayed visual burn marks indicative of thermal overload.*
- The torque converter damper spring was fractured. Close examination revealed fatigue witness markings in the fractured area of the spring, indicating that this issue had been ongoing for multiple thousand miles.*

A fatigue witness mark indicates a crack has grown over time due to repeated stress. Based on the evidence provided on this complaint, it appears that the parts have worn over time to the point there was a sudden failure which then caused the chattering which led Mr B to take the car to the garage. Whilst there was wear to the parts prior to the policy being taken, I've seen no evidence to suggest complete part failure had occurred prior to the policy being taken out.

From the point of purchasing the car, to the point of taking out the warranty, Mr B had done less than 900 miles. Red Sands have declined the claim as they believe the fault had developed prior to the policy being taken out. However, the independent report confirms that the damage and wear to the torque converter and clutch plates developed over a prolonged period. The independent report suggests failure occurred over multiple thousand's of miles. Mr B has provided evidence of no symptoms of complete failure until after he took out the policy. So, I think Red Sands have unfairly declined Mr B's claim and I think they need to consider it further.

Red Sands have agreed there were service issues. and have awarded £200. So, I don't need to consider the merits and only whether their compensation amount is fair and reasonable. However, I also need to consider the additional distress and inconvenience caused by Red Sands unfairly declining the claim.

I appreciate that it must have caused Mr B distress and inconvenience due to having his claim unfairly declined as well as not receiving information or call backs when he requested them. Although this is a distilled version of events, I've considered everything in the round and I think Mr B has been caused considerable distress, upset and worry which has taken a lot of extra effort to sort out. In line with our website guidelines, I think a total of £500 compensation is fair and reasonable in the circumstances. I intend to award this in my decision."

I set out what I intended to direct Red Sands to do to put things right. And gave both parties the opportunity to send me any further information or comments they wanted me to consider before I issued my final decision.

Responses to my provisional decision

Red Sands didn't respond to the provisional decision by the deadline.

Mr B accepted my provisional 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.

I've thought carefully about the provisional decision I reached. Having done so, and as neither party has provided anything which could lead me to depart from my provisional decision, my final decision remains the same as my provisional decision, and for the same reasons.

Putting things right

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

- Consider the claim further, in line with the policy terms and conditions
- Pay Mr B a total of £500 compensation

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 Mr B to accept or reject my decision before 5 December 2025.

Anthony Mullins
Ombudsman