

The complaint

Mr W complained that Red Sands Insurance Company (Europe) Limited (RS) declined a claim on his motor warranty.

What happened

Mr W took out a motor warranty with RS in mid-January 2025. In late-March 2025, the oil light on Mr W's car came on. He stopped driving it and arranged for the car to be taken to a garage for diagnostics. It was confirmed Mr W's car had suffered from engine damage as a result of oil starvation due to an oil leak. A claim was raised with RS but was declined on the basis the parts were excluded and also that Mr W had been knowingly driving the vehicle whilst it had a fault. Mr W was unhappy and raised a complaint. RS didn't uphold the complaint. They accepted the claim shouldn't have been declined as the policy covered wear and tear, however, they declined the claim due to Mr W being neglectful of the oil leak. Mr W was still unhappy so brought the complaint to this service.

Our investigator upheld Mr R's complaint. She didn't think Mr W had been neglectful as he'd provided evidence of his car being serviced and no issues being shown on his MOT. She thought RS should consider the claim further and pay £150 compensation for the trouble and upset caused. RS asked for evidence of the cost of repairs so they could confirm how much they needed to pay. This was provided to RS but they requested a further breakdown. Our investigator said that as RS had accepted there was a claim to pay, they should pay the full invoice amount and cover any out of pocket expenses Mr W had. RS confirmed they didn't accept this but didn't provide any rationale as to why. 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 RS and Mr W 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 W'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 RS acted in line with these requirements when it declined Mr W's claim.

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

Mr W 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.

RS has used the following exclusion to decline Mr W's claim:

"This insurance does not cover damages caused by:

6.9 Neglect, corrosion, rust or deterioration"

In their claim notes, I can see RS has specifically stated neglect as the reason for the claim being declined.

Mr W has sent us his service documents. His car underwent an annual service in line with the manufacturer's schedule in November 2023 and September 2024. The car also had an MOT in late-October 2024 which didn't list any oil leaks. I haven't been provided with any evidence to suggest Mr W was neglectful. In their response to our investigator's outcome, RS were trying to ascertain their claim liability based on Mr W's invoices. This suggests RS accept the claim is valid now. I don't think RS did a good enough job in reviewing Mr W's claim and I think they've incorrectly declined it. So, I'm intending to tell RS to cover the costs to Mr W in repairing the car. I'm also intending to tell RS to cover Mr W's costs whilst he was without the use of his car up until it was repaired. I intend to award the following costs:

- *£72 – diagnostic report in June 2025*
- *£100 – cost to tow Mr W's car to the repairer in June 2025*
- *£459 – cost of a new turbo*
- *£3,900 – repair costs*
- *£274.42 – hire car from 25 April to 9 May 2025*
- *£19.93 – taxi on 9 May 2025*
- *£247.03 – hire car from 9 May to 23 May 2025*
- *£231.38 – hire car from 23 May to 6 June 2025*
- *£457 – hire car from 6 June to 27 June 2025*
- *£437.20 – hire car from 27 June to 18 July 2025*

I appreciate that it must have been frustrating for Mr W to have his claim declined unfairly and having to sort out hire vehicles at a cost to himself. Although this is a distilled version of events, I've considered everything in the round and I think Mr W has been caused considerable distress, upset and worry which has taken a lot of extra effort to sort out over several months. In line with our website guidelines, I intend to award Mr W a total of £500 compensation.

Mr W has said his car still isn't working after he'd had it repaired. Whilst I'm sorry to hear this, I don't think it would be fair to make RS pay for his car to be repaired in full based on the evidence available. Mr W will be able to raise a new claim with RS for them to consider further and in line with the policy terms and conditions. I also don't think it's fair for RS to pay all the expenses he's listed to us. I don't think it's fair for RS to pay for the following expenses:

- *£50 for temporary insurance on a neighbour's policy. Mr W has provided evidence of making a payment but there's nothing to confirm he was added onto a neighbour's policy or how much this cost.*

- £274.42 for a hire car Mr W didn't use as he was more than an hour late for collection
- £37 for temporary insurance whilst he was also in possession of a hire car.
- £1,000.60 for flights abroad
- £317 for hiring a car whilst abroad."

I set out what I intended to direct RS 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

RS accepted my provisional decision.

Mr W confirmed he didn't agree with my provisional decision. Mr W made the following points:

- The fault has never been resolved. The repair was only partial and temporary. The underlying issues, including the turbo and sensors, were never fixed.
- RS have repeatedly failed to cooperate.
- The compensation isn't enough due to the financial, emotional and practical impact.
- Some legitimate costs have been missed including an air-conditioning re-gas.

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 responses to my provisional decision. Having done so, while I appreciate it will come as a disappointment to Mr W, my conclusions remain the same. I'll explain why.

Mr W has said the fault has never been resolved. Mr W has provided an email from a repairer which confirms the following faults:

- Fault codes for both O2 sensors. One appears to be damaged.
- Fault codes for oil pressure. Further diagnostics required.
- Fault codes for oil level sensors. Further diagnostics required.
- Oil residue on engine components – unclear if there is a leak or historic. Further diagnostics required.
- Various nuts and bolts missing from engine components, presumably from prior repair.

As further diagnostics are needed on most issues, it's not possible to say what is causing the issues and whether everything is as a result of the initial failure or some of the issues are a result of an incorrect repair, or due to driving the vehicle when not fully repaired. So, I have no evidence to depart from my provisional decision. Mr W will need to raise a further claim with RS to assess the issues to confirm if they're covered.

I've accepted there were service failings in my provisional decision, and this was considered in my provisional decision award. Whilst I empathise with Mr W's situation, Mr W hasn't provided me with any new information which wasn't considered in my provisional decision. So, I see no reason to depart from the amount of compensation I awarded.

Mr W has said that there are legitimate costs that haven't been considered. However, he's only mentioned an air-conditioning top up. I've not been provided any evidence to support

this expense was linked to the warranty engine damage. So, I don't think it's something RS should cover the cost of.

Putting things right

To put things right, RS should do the following:

- Pay £4,531 to cover the cost of repairs to Mr W's car.
- Pay £1,846.18 to cover Mr W's expenses whilst without a car up until it was repaired
- Pay 8% simple interest* on both of the above figures, from the date Mr W made payment, to the date RS make payment.
- Pay £500 for the trouble and upset caused to Mr W.

* If RS considers that it's required by HM Revenue & Customs to deduct income tax from that interest, it should tell Mr W how much it has taken off. It should also give Mr W a tax deduction certificate if he asks for one, so he 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 Mr W to accept or reject my decision before 17 December 2025.

Anthony Mullins
Ombudsman