

The complaint

T, a limited company, complains Motors Insurance Company Limited (MICL) unfairly declined a claim it made on its commercial vehicle warranty.

What happened

T owns a vehicle which benefits from an extended warranty, underwritten by MICL. T says the vehicle broke down, and the garage said it required an injector replacement, which MICL accepted as covered under the warranty and a repair was completed.

However, the garage said there were further issues with the vehicle, as a result, it likely needed a new engine.

At this point MICL said it would have the car looked at by one of its assessors. Having done so, it didn't think a new engine was needed, but it also didn't think any claim should be met, as it thought the vehicle had been used for making deliveries, which wasn't allowed under the terms of the warranty. It based this on some information found in the vehicle suggesting a delivery had been made, as well as the taxation and insurance class of the vehicle. As a result, MICL cancelled the warranty, and refused to cover both the work already done, and the further work needed.

T complained to MICL, it said it hadn't used the vehicle for deliveries since the extended warranty had been in place. MICL didn't agree to change its position and so a complaint was referred to the Financial Ombudsman Service. As a resolution T wanted reimbursement of the initial claim to be provided, as well as the further claim to be met, as well as recovery and storage costs to be covered.

Our Investigator ultimately recommended the complaint be upheld. He wasn't persuaded by MICL's arguments that the tax category and the insurance cover on the vehicle showed it was used for deliveries. As such he said the claim should be reconsidered in line with the policy terms. MICL said it strongly disagreed with the outcome and asked for an Ombudsman to review matters. But it didn't give any reasons as to why it disagreed.

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.

MICL is essentially saying T has misrepresented the use of the vehicle, and as such it doesn't meet its eligibility criteria for the warranty, so the warranty has been cancelled and the claims refused.

I consider, then, it is for MICL to show that the eligibility criteria hasn't been met. Having reviewed matters I'm not persuaded it has done that, and so it will need to meet T's costs for the initial repair, and consider the further claim, as a resolution to this complaint. I've explained why below.

MICL has said the vehicle is taxed as a light goods vehicle and is insured as a goods carrying vehicle used for carriage of own goods. It says this supports that it is used for deliveries, since T wouldn't need cover for 'carriage of own goods' unless it was delivering goods. T's argument is that the type of vehicle insured has to be taxed as a light goods

vehicle, and that his insurance broker has confirmed he needs the 'carriage of own goods' cover because T has equipment and tools in the vehicle, not because it is used as a delivery vehicle.

I'm not persuaded that the tax or insurance of the vehicle shows its most likely used for deliveries. T's comments regarding the tax classification of the vehicle appear to be correct according to the research I've done, and MICL hasn't provided anything to dispute T's comments in that respect. The taxation therefore doesn't support that the vehicle is used for deliveries.

Neither has MICL shown that T's comments on its insurance cover are incorrect, or that there is another suitable type of insurance T should have had, if it was only using the vehicle to transport tools and equipment as it suggested. And it seems to me that cover for 'carriage of own goods' does not provide insurance cover for vehicles that carry out deliveries to customers. From my own research, it seems that for a vehicle to be insured for deliveries or to be a courier, it would need a different type of cover, essentially covering hire and reward, which this vehicle doesn't. So having considered everything, and MICL's lack of response to T's points about how the vehicle is insured, I'm not persuaded the insurance class of the vehicle persuades me it has been used for deliveries.

Other evidence relied on by MICL was the mileage driven, as well as what looked to be a delivery pass, and ferry tickets found in the vehicle.

I'm not persuaded the delivery pass or the ferry tickets are evidence the vehicle was used for deliveries. I consider T has given a reasonable explanation in relation to the delivery pass; that the vehicle needed the pass to attend a trade show, and it needed to unload its own equipment for its exhibition stand, but the vehicle was not being used to make a delivery. It has also shown its booking for the trade show and that its 'goods' were transported to and from the venue by a third-party company. MICL has had access to this information but has not commented on why T's explanation has not changed its mind on the use of the vehicle. To me T has given a reasonable explanation, that it uses the vehicle to attend trade shows to showcase its goods, but that is not the same as using the vehicle to make deliveries.

It's also not clear to me what the ferry tickets are for, the destination of the ferry isn't clear. In any event, all this shows is that T travelled on a ferry, not that the vehicle was therefore on the ferry to make a delivery.

I do accept that the vehicle seems to have travelled extensively in one year, so I can understand why MICL might have felt it could have been used for deliveries. I'm also aware that MICL's said T had confirmed it had previously used the vehicle for deliveries, prior to taking out this warranty, although it hasn't provided evidence of those conversations. And MICL has shown that T's website suggests that it will provide deliveries of the goods it makes to a certain part of the United Kingdom.

However, I am aware T has another vehicle, which it says is used for deliveries, and T has also provided evidence that customers in his area of the UK collect items from him, rather than pay a delivery charge. And whilst a high mileage might be indicative of the vehicle being used to travel and make deliveries, I'm not persuaded that the mileage shows, in the absence of a lack of other supporting evidence, that it was most likely being used for deliveries under the extended warranty. As part of T's business, it clearly travels to exhibit its goods in other parts of the UK from where it is based.

As such, I'm not persuaded MICL has shown T has breached the eligibility criteria and so I find it was unfair and unreasonable of it to cancel the warranty and refuse the claims. T has already paid for the initial injector replacement, authorised under the warranty (but not paid by MICL before the warranty was cancelled). So to resolve matters MICL will need to reimburse T the sum paid, plus 8% interest from the date the invoice was paid, until the date of settlement.

It will also need to reinstate the warranty from the point it was cancelled, for the remainder of its term. And consider the claim for further repairs needed under the warranty, in line with its policy terms. I accept T says it had to pay to recover the vehicle, and to store it. T's also been without the use of the vehicle. But I don't yet know whether the further repair needed would be covered under the warranty. So I can't make any finding as to whether those recovery and storage costs should be met, at this stage. However, if MICL does accept the claim for the further work needed, I'd expect it to consider MICL's recovery costs and any costs incurred for storage, as well as any payment for T's loss of use of the vehicle. But any complaint about a dispute on those points would need to be considered separately.

My final decision

My final decision is that I uphold this complaint, and I direct Motors Insurance Company Limited to:

- Reimburse T what it paid for the injector replacement. It will need to add 8% simple interest* per annum onto the amount it pays from the date the invoice was paid, until the date of settlement.
- Reinstate the policy from the point it was cancelled for the remainder of the policy term.
- Consider T's claim for a further repair, under the policy terms.

*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 MICL to take off tax from this interest. If asked, it must give T a certificate showing how much tax it's taken off.

Under the rules of the Financial Ombudsman Service, I'm required to ask T to accept or reject my decision before 5 February 2026.

Michelle Henderson
Ombudsman