

The complaint

Mr S complains about how a claim has been settled by Financial & Legal Insurance Company Ltd (F&L) on his motor warranty.

What happened

Mr S had a motor warranty with F&L. In April 2025, his car's engine failed. Mr S contacted F&L who accepted the claim. Mr S got two quotes from his local manufacturer approved garage. One for a brand new engine at roughly £19,000 and another for a reconditioned engine at just over £16,500. F&L offered Mr S a chance to use a repairer of their choice, or the cash equivalent. This was just under £10,000. Mr S was unhappy and raised a complaint. F&L didn't uphold the complaint as they didn't think they'd done anything wrong. Still unhappy, Mr S brought the complaint to this service.

Our investigator didn't uphold the complaint. She didn't think F&L had done anything wrong in the settlement offer they'd made. Mr S appealed. He didn't think the engine offered was a suitable alternative. 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 F&L and Mr S 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 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. So, I've thought about whether F&L acted in line with these requirements with how they handled Mr S' claim.

At the outset I acknowledge that I've summarised his complaint in far less detail than Mr S 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 understand what the policy terms and conditions say.

They set out the following:

“You will need to take your vehicle to a repairer. The administrator has a nationwide network of nominated repairers who are familiar with the administrator’s claims and billing procedures. The administrator shall recommend these repairers wherever possible. If a suitable nominated repairer cannot be located the administrator will agree a local alternative with you...”

After the fault had been diagnosed, F&L recommended one of their nationwide nominated repairers. I’ve asked F&L about the repairer, and I think they were most likely part of their network at the point of the claim. So, I don’t think it was unreasonable for them to be suggested. However, I’ve looked at the estimate from the repairer and it comes to a total of £11,262.15. F&L have only paid Mr S £9,749.03 as settlement of the claim. It’s not clear why. The repairer was also based around 82 miles from where Mr S lived. Whilst I don’t think it would be unreasonable for F&L to use a repairer in their network, this shouldn’t be to the financial detriment of Mr S. So, I’d have expected F&L to cover the transport costs of Mr S’s car to the repairer and back. Due to the distance, I think this would have cost in the region of £250 each way. So, I think F&L’s total claim liability should be £11,762.15. I’m intending to tell F&L to pay the difference between this figure and what they’ve already paid Mr S. I’m also intending to tell F&L to pay 8% simple interest on the additional payment, from the date they made the settlement offer to Mr S to the date payment is made.

I appreciate that Mr S is unhappy with the quality of the engine he was being offered. The policy sets out the following information:

7.3 Labour and component costs...

The administrator may ask the repairer to use guaranteed exchange units or factor components in repairing your insured vehicle.”

There is no requirement within the policy to use original manufacturer equipment. I’ve considered the comments from Mr S’s repairer, but I’m not persuaded that the engine from F&L’s network repairer wouldn’t be a suitable option. The engine being provided was a reconditioned engine. There are also multiple independent retailers that provide replacement engine services for the make of Mr S’s car.

Overall, I’m satisfied that it wasn’t unreasonable for F&L to use their network repairer, but I don’t think they’ve paid Mr S a fair cash settlement.

I appreciate that it must have been frustrating for Mr S to have been paid an incorrect amount. This has caused Mr S distress due to having to pay for the repair, including the shortfall himself and inconvenience with him having to spend time on the issue. Although this is a distilled version of events, I’ve considered everything in the round, and I think Mr S has been caused an unreasonable amount of distress and inconvenience which has required a reasonable amount of effort to sort out and has impacted Mr S over several weeks. In line with our website guidelines, I’m intending to award Mr S £300 compensation for the trouble and upset caused.”

I set out what I intended to direct F&L 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

F&L accepted my provisional decision.

Mr S confirmed he didn't agree with my provisional decision. He said the replacement part fails to meet the recognised UK quality standards and the engine provided is a technical impossibility.

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 S, my conclusions remain the same. I'll explain why.

Mr S has said the engine needs to be of satisfactory quality and fit for purpose. He's said the formal definition of a quality engine remanufacturing process is Standard BS AU 257:2002 and that the engine F&L wanted to provide didn't meet this standard. He's said F&L's supplier has confirmed they don't meet these standards. I've reviewed the correspondence Mr S had with F&L's supplier, but I don't agree with Mr S. F&L's supplier said they weren't registered and so weren't signed up for the certification. This doesn't mean that the engine doesn't meet the standard or aren't fit for purpose.

Mr S has also said that his garage provided testimony that the manufacturer doesn't supply internal engine components to third parties. This creates a barrier and makes it impossible for an independent builder to remanufacture the engine to its original manufacturer standards. Whilst the manufacturer doesn't supply certain original manufacturer parts to third parties, this doesn't mean that non-manufacturer parts aren't available to purchase. The policy doesn't require original manufacturer equipment to be used. I also don't think this makes the engine being supplied not fit for purpose or of unsatisfactory quality.

Putting things right

To put things right, F&L should do the following:

- Pay Mr S £2,013.12 to cover the shortfall in claim payment
- Pay 8% simple interest* on the above figure from the date they made the settlement offer to Mr S to the date payment is made
- Pay Mr S £300 for the trouble and upset caused

* If F&L considers that it's required by HM Revenue & Customs to deduct income tax from that interest, it should tell Mr S how much it has taken off. It should also give Mr S 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 Financial & Legal Insurance Company Ltd 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 S to accept or reject my decision before 20 March 2026.

Anthony Mullins
Ombudsman