

The complaint

Mr G complains about the way Red Sands Insurance Company (Europe) Limited settled a claim he made on his mechanical breakdown insurance policy.

What happened

In January 2024 Mr G made a claim on his mechanical breakdown policy, for an issue with his car's thermostat and a speaker.

He took it to a garage of his choice; it contacted Red Sands who authorised the claim. Red Sands said for the repair works it would allow 1.9 hours of labour – with the maximum labour rate of £40 per hour.

Taking this into account, Red Sands said it would allow 2.1 hours for the repair. Mr G complained to Red Sands that its offer of payment for the claim (which was £301.32 for a thermostat and £115.90 for a speaker based on the labour costs allowed) didn't cover what he would be charged by the garage. He wanted Red Sands to cover the full cost of the repair, which was £630 for the thermostat and £115.90 for the speaker.

Red Sands didn't agree to change its position, so Mr G brought this complaint to the Financial Ombudsman Service for an independent review. Our Investigator thought Red Sands had acted reasonably in line with the policy. She said it provided evidence it had sought advice from the car's manufacturer about labour times when calculating the labour time it would cover under the policy. She said whilst Mr G raised concerns about the sale of the policy, Red Sands hadn't sold it, so those concerns would need to be addressed separately by the seller.

Mr G didn't accept the outcome of the Investigator, he said he didn't know who Red Sands was until our Investigator became involved, and his issue was with another party, who sold him the warranty. So he wanted his concerns about the sale of the policy to be addressed in this complaint. He said he'd provided evidence to Red Sands that showed the labour time – for the repair his car needed – was higher than what Red Sands would allow. He also wanted compensation for the lengthy emails and calls he'd done to resolve matters.

As the matter wasn't resolved, it has come to me to decide.

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.

Our Investigator has already explained why the complaint is set up against Red Sands, but for clarity I will set it out here. Red Sands is the underwriters of the policy, it decides what risks it is willing to insure, and what rates it will use for settling claims. It is also responsible for any claim decisions. Mr G has complained about its claim decision and the amount it offered under the policy. So it is right – whoever Mr G has been speaking to at various businesses – that this complaint is considered against Red Sands.

Mr G also has concerns about what he was told – or wasn't told – when he took the policy out. He would like this addressed as part of my decision. Whilst I appreciate his strength of feeling on the matter, this isn't possible. I understand our Investigator has now started a

separate complaint for Mr G with the seller of the policy. If Mr G is unhappy with its response, he can refer that complaint to our Service once the seller has had an opportunity to respond. This decision will only address the outcome Red Sands reached on his claim.

The starting point in reviewing Red Sands claim decision is the policy terms. The policy terms say in relation to labour

“the amount of time allowed for labour will be in line with the I.C.M.E standard repair times”

Red Sands says the standard hourly rate for this policy is £40. It said whilst other warranties available provide for a higher rate of hourly labour, that isn't what Mr G took out. To assess the claim and the labour time, Red Sands contacted the manufacturer. I've listened to a copy of that call. Red Sands asked what the standard repair was for thermostat housing on Mr G's type of car. The car details were given so the manufacturer could check the model. The manufacturer said it would allow 1.9 hours that repair, Red Sands relied on that information to agree a cost for Mr G's repairs.

I've reviewed Mr G's points on why he considers this to be the wrong measure to use, but I don't think Red Sands has acted unreasonably in relying on the information it was given by the manufacturer. And I can't see that it made any mistake when speaking to the manufacturer, such as quoting for the wrong repair. Mr G thinks other systems – other than those used by Red Sands – should be used to calculate the labour time. But I'm not persuaded his comments mean Red Sands has acted unreasonably in applying the terms and seeking confirmation from the manufacturer on its standard repair time.

Mr G's repairer had said the repair might take longer, given the age and mileage of the car, as other things such as bolts could snap during the repair. That perhaps gives an explanation as to why that repairers claimed time would be higher than Red Sands would allow. But again, it doesn't persuade me Red Sands acted unreasonably. I don't think it's unreasonable for Red Sands not to agree to cover issues that only *could* arise during a repair.

Mr G has also disputed that the cost and time allowed for diagnostics isn't covered, given his comments that every repairer requires them. It is ultimately up to Red Sands as the insurer to decide what risks it wants to insure. The terms are clear that the cost of diagnosis and testing aren't covered. Although Red Sands said it did include 0.5 hours of labour time for any diagnostics into its overall calculation of 2.1 hours for the repair. I haven't seen anything which persuades me this is unfair or unreasonable.

I appreciate Mr G has spent a lot of time on this claim, including his own research on how labour rates are calculated by different garages. But I'm not persuaded Red Sands acted unfairly or unreasonably in how it handled the claim and the offer that it made, so I can't say there were failings that caused Mr G unnecessary inconvenience which it should compensate for. I've seen Mr G was unhappy that a call with a manager wasn't reconvened when it got cut off, but I'm not persuaded this situation is something Red Sands needs to offer compensation for.

My final decision

My final decision is that Red Sands Insurance Company (Europe) Limited has already made an offer to pay £301.32 for a thermostat and £115.90 for a speaker to resolve the complaint and I think the offer is fair in all of the circumstances.

So my decision is that Red Sands Insurance Company (Europe) Limited should pay a total of £417.22.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr G to accept or reject my decision before 11 September 2024.

Michelle Henderson
Ombudsman