

The complaint

Mr H complains Motorpoint Limited mis-sold him a motor warranty.

What happened

In August 2019 Motorpoint sold Mr H an extended motor warranty. This happened alongside the sale of a car costing around £21,000. He went on to make a claim against the warranty after the car's gearbox failed. He was quoted about £9,000 for the repair. But the warranty provider (a different firm to Motorpoint) said it would only contribute up to the policy's claim limit of £3,000.

Motorpoint didn't uphold a complaint from Mr H. It said it didn't set the warranty's claim limit. Mr H wasn't satisfied so came to this service. He says Motorpoint mis-sold the warranty as he was made to believe the claim limit would be the value of the vehicle – significantly more than £3,000.

Our investigator felt Motorpoint should have done more to explain the claim limit during the sale. But he wasn't persuaded that Mr H, if told of the limit, would have purchased an alternative policy that covered the full cost of the claim. So he didn't think he was worse off because of Motorpoint's failure. So he didn't recommend it take any steps to put things right for Mr H. As Mr H didn't accept the outcome the complaint was passed to me to decide. He says he would have taken out alternative cover that covered the claim in full.

I recently wrote to Mr H and Motorpoint. I explained I was satisfied Mr H had been given misleading information about the claim limit during the sale. I explained why I wasn't persuaded that, had he been given better information, he would have taken out an alternative policy that covered the claim in full. I said it was most likely he wouldn't have bought any cover at all.

I explained that in these circumstances I'd usually require the seller of the policy to refund the premium – but also allow it to deduct the value of any successful claim. I set out that in this case Mr H had potential for a valid claim exceeding the premium he paid. I explained a premium refund may have implications for any claim made against the policy. I asked Mr H for his thoughts on the matter, asking if he'd prefer a refund or to pursue a claim unaffected by any issues that may arise from receiving a refund.

In response Mr H disagreed with my finding that he wouldn't have taken out alternative cover. He said he isn't interested in a refund – only for Motorpoint to take responsibility for the repairs.

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.

When selling insurance, firms are required to provide potential customers with clear, fair and not misleading information. This is to ensure they can make an informed decision about the

product they are considering. In addition as this was an advised sale Motorpoint was required to ensure the product it recommended to Mr H was suitable for him.

Having considered everything provided I'm satisfied Motorpoint failed to provide Mr H with good enough information during the sale.

The paperwork available from the sale is misleading. A 'demands and needs' document refers to '... a claim limit of the value of the vehicle'. Motorpoint states this is an overall, rather than individual, claim limit. That may well be correct but that isn't clear from the document. Mr H says he wasn't told during the sale that the individual claim limit was £3,000. Motorpoint hasn't provided a transcript or any notes to indicate he was.

So I'm satisfied Mr H was most likely provided with misleading information during the sale – and purchased the policy under the impression the individual claim limit was significantly higher than £3,000.

Motorpoint has referred to documentation being sent to Mr H post sale. The information it sent provides the same misleading information. As far as I've seen the claim limit was only set out in a policy schedule. Post-sale the policy administrator emailed Mr H a link to a portal. It seems the schedule may have been available to him there – but the link no longer works so I can't be certain. Even if it was, that wouldn't be enough to make up for the misleading information Mr H was provided with during the sale. It was reasonable of him to rely on the information he had been given when the policy was sold.

This service tries to put consumers back in the position they would have been had a firm not made its mistake. In this case that means considering what would have happened differently if the individual claim limit had been explained clearly to Mr H during the sale.

Mr H feels Motorpoint should cover the full cost of the repair. I might require it to do something like that if persuaded he would most likely have rejected this warranty and instead purchased alternative cover with a higher claim limit. I know he now says that's what he would have done. But I'm not persuaded, at the time of the sale, that's probably what would have happened.

When initially referring his complaint to this service Mr H volunteered on a couple of occasions, that if told of the £3,000 limit, he wouldn't have purchased the warranty. He didn't mention finding alternative cover. Sometime later Mr H was asked directly by this service what he would have done. He responded that the car was still under a manufacturer warranty when he bought it. He said he was persuaded by the sales pitch to purchase Motorpoint's extended warranty. But had he known the claim limit he wouldn't have purchased it or the car itself.

Mr H did later explain he would have purchased alternative cover with a higher limit. But that was only after it had been explained to him that we would only likely require Motorpoint to cover the full cost of the claim if we thought he would likely have done so.

I realise this will be frustrating for M H. I've considered his recent comments including about how much he paid for the car and the type of seller he chose to buy from. I obviously can't know for certain what he would have done back in 2019. So I can only go on what I feel is most likely, considering the available evidence. I haven't seen enough to persuade me Mr H was so set on purchasing an extended warranty that he would have taken the effort and extra expense to purchase alternative cover. Instead it seems most likely he wouldn't have purchased Motorpoint's policy or any other.

I've also considered that this was an advised sale. Even if I thought Motorpoint had recommended an unsuitable policy to Mr H it wouldn't change the outcome of this complaint. It's explained that was the only policy it could offer him. So it wouldn't have been able to recommend him a different one with a higher claim limit.

For the reasons given above I'm not going to require Motorpoint to cover the repairs. Mr H has said he isn't interested in a refund. So I'm not going to require Motorpoint Limited to provide him with one.

My final decision

For the reasons given above, I don't require Motorpoint Limited to do anything differently.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H to accept or reject my decision before 18 October 2023.

Daniel Martin
Ombudsman