

The complaint

Mr M has complained about his motor warranty insurer Motors Insurance Company Limited because it won't provide him any refund for unused years of his three-year warranty.

What happened

Mr M brought a three-year warranty for bodywork and alloy wheels. He made some claims and benefited from some repairs in the first year. But then he was involved in a non-fault accident and his car was declared a total loss by the car insurer. As Mr M now wouldn't be able to benefit from years two and three of the warranty, he asked Motors to cancel and refund the remaining years, or to transfer the warranty to his new car.

Motors said that neither was allowed for in the terms and conditions. Mr M complained to the Financial Ombudsman Service.

Our Investigator noted that the policy explained that where the policy was being cancelled but there had been claims, no refund would be given. Also that if Mr M ceased to own the car, the warranty would end. She felt Motors had responded fairly and reasonably to Mr M, given the terms of the policy.

Mr M said he thought it was misleading. He said this warranty can be bought for a year, and even when more than one year is bought, there's a yearly entitlement. He said that made it appear as though this was an annual policy. He felt that he was being disadvantaged, having bought three-years upfront, which he felt wasn't fair. Our Investigator explained this is a three-year warranty, not an annual policy. She pointed out that often if an annual policy was cancelled during the year, with a claim having been made, no refund of premium would be given by the insurer.

Mr M remained unhappy. His complaint was referred for an Ombudsman's consideration.

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 appreciate that Mr M feels it's unfair that he bought a product he can no longer benefit from. I understand that is through no fault of his. But in considering this complaint I must take into account the terms and conditions to which Mr M agreed to when he bought the three-year warranty. And whilst Motors may sell warranties for other time periods – Mr M bought one for three-years. As our Investigator pointed out – this is not an annually renewing insurance policy – it is a warranty taken for a specific time period.

The terms of the warranty are clear in that if a warranty holder wishes to cancel, they will not get a refund if successful claims have been made. Claims were made and settled for Mr M. The warranty also says that if the car ceases to belong to the warranty holder, the warranty will end. The car, due to its total loss, ceased to belong to Mr M. So Motors, in telling Mr M he could not have a refund and that it would not transfer the policy to another car, acted

fairly and reasonably in line with the warranty terms. Terms which Mr M had agreed to when he bought and paid for the warranty.

I don't think Motors misled Mr M. I bear in mind that Motors did not sell the warranty to Mr M. But I don't see anything in its terms that are unclear or misleading. Clearly Mr M knew he had paid for three-years of cover – but that he could have chosen to purchase less or more. He knew that the warranty had certain restrictions, such as he could only make six claims in each year. But that did not mean that he had to renew or take out new cover each year. He bargained with Motors for three years of cover, with terms that clearly explained what would happen if he cancelled in between and/or ceased to own the car. I understand Mr M did not expect, when he arranged the warranty, that he would cease to own his car within those three-years. However, the warranty foresaw that possibility and accounted for it in the terms. I can't reasonably find Motors at fault for applying the terms of the warranty when considering Mr M's request for a refund or transfer of it.

My final decision

I don't uphold this complaint. I don't make any award against Motors Insurance Company Limited.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 2 January 2024.

Fiona Robinson
Ombudsman