



Consumer Disputes Driven by Extended Vehicle Warranties

(January to September 2023)

Published October 2023

www.TheMotorOmbudsman.org

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OVERVIEW.

This thought leadership paper offers insight into the extended vehicle warranty landscape, and the key drivers behind disputes being brought by consumers to warranty providers, and subsequently, to The Motor Ombudsman, if they have not been resolved to a vehicle owner's full satisfaction in the first instance.

This paper looks at the following key subjects, amongst others:

- ▶ The nature and profile of vehicle warranty disputes brought to The Motor Ombudsman by consumers;
- ▶ The source of consumer warranty claims by vehicle area;
- ▶ Key causes of consumer dissatisfaction;
- ▶ The personal impact of vehicle faults and warranty disputes on consumers; and
- ▶ Case studies demonstrating rationale behind a selection of Motor Ombudsman decisions.

INTRODUCTION. The used car landscape in the UK

The used car sector is a key driver of demand for extended vehicle warranties. A policy will typically be taken out during the purchase or ownership of a used vehicle once a manufacturer's new car warranty has expired, to cover the sometimes costly repair bills and component replacements associated with specified mechanical breakdowns and failures.

In contrast to a car insurance policy, it is not a legal requirement for consumers to purchase such an agreement, although millions of motorists each year choose to safeguard themselves against any unexpected costs by voluntarily opting to have a warranty for their vehicle, especially for older models, and those subject to significant annual mileage.

Before looking more specifically at disputes within the extended vehicle warranty space, what does the used car market in the UK currently look like?



- ▶ Consumers are holding on to their cars for longer due to increasing pressures on household income because of the cost of living crisis, and new car supply disruptions – a fall-out of the recent pandemic. This is illustrated by the fact that, in 2022, the average age of cars on UK roads was 8.7 years, up from 7.6 in 2021¹.

This is a pertinent point because, older vehicles can typically be more prone to breakdowns and repairs, therefore highlighting the increasing benefit of consumers taking out warranty cover beyond that supplied initially by the manufacturer, which is typically between three and seven years in duration for new models.

- ▶ Although around 9% down on the pre-pandemic levels of 2019, transactions in the used car market are gradually recovering (3,679,416 for the first six months of 2023 versus 3,534,035 for the same period in 2022)².

This builds a picture of the increasing and significant pool of customers that extended warranties may indeed appeal to, and equally emphasises the importance of having a comprehensive Code of Practice in this area of the automotive sector (i.e. The Motor Ombudsman's **Vehicle Warranty Products Code** launched in 2009) to ensure that consumers benefit from high standards in the provision and activation of these policies.

- ▶ The volume of used electric vehicle (EVs) transactions has risen so far this year.

During the first two quarters of 2023, used battery electric vehicle transactions have continued to increase compared to the year before, highlighting the growing ownership and popularity of these cars as an alternative to petrol, diesel, and hybrid models. Between January and March, used EV sales rose by 56.5% to 26,257 units versus the same period in 2022, and jumped by 81.8% in the second quarter to 30,645 vehicles³.

¹ Source: The Society of Motor Manufacturers and Traders (SMMT)

² Source: The Society of Motor Manufacturers and Traders (SMMT)

³ Source: The Society of Motor Manufacturers and Traders (SMMT)

However, with the ban on the sale of new petrol and diesel models now moving to 2035 from 2030, as announced by government towards the end of September, the transition to second-hand EVs for the majority of drivers may now take longer due to the uncertainties and confusion this may have caused in the minds of consumers⁴. The average price of second-hand electric cars in the UK has also fallen by 21.4% to £32,463 in the past year according to figures from AutoTrader, which has been put down to declining consumer confidence in the UK's EV charging infrastructure.



Key Learning Point: What is The Motor Ombudsman's Motor Industry Code of Practice for Vehicle Warranty Products?



Launched in 2009, the principal objective of The Motor Ombudsman's comprehensive Vehicle Warranty Products Code is to drive up standards beyond those required by law when consumers take out an extended warranty for a vehicle, and make a claim should a failure arise during ownership.

By adhering to the Code of Practice, a warranty provider is showcasing their commitment to consumers that they are following best practice, and are going above and beyond their legal obligations to deliver the highest standards in the provision and administration of their product portfolio.

⁴ Source: Energy Live News – www.energylivenews.com/2023/09/25/used-electric-car-prices-plummet-by-a-quarter

SECTION 1. The nature and volume of extended vehicle warranty disputes brought to The Motor Ombudsman



1.1 The nature of extended vehicle warranty disputes brought to The Motor Ombudsman

When looking at extended vehicle warranty complaints brought to The Motor Ombudsman under the remit of its Vehicle Warranty Products Code, they are often seen at the point of consumers making a claim i.e. when something has gone wrong with their vehicle, and are seeking assistance from the warranty provider to cover the cost of repairs, which may be significant in some instances.

Sometimes, up until this point, a consumer may have had little or no contact with the warranty provider itself (for example, if they had purchased the policy online or through a third party, such as a vehicle retailer). Similar to an insurance claim, a consumer may only get direct first-hand experience of the service provided by a business in their hour of need.

Typically, a consumer that brings a dispute to The Motor Ombudsman in relation to an extended vehicle warranty, has purchased a used car that is **three-and-a-half-years-old**. This correlates with the fact that many manufacturer warranties expire on the car's third birthday, leaving owners without cover unless a new agreement has been purchased voluntarily.

In terms of when a problem is first reported by a vehicle owner, and a claim to the warranty provider is made, Motor Ombudsman data shows that this happens, on average, **17 months** after a used car has been purchased, so cars at this point, are around five years of age.

A business receiving a complaint from a consumer generally occurs at the **eight-week** mark after first logging a warranty claim. If the dispute is not concluded directly between the two parties in the first instance to the satisfaction of consumers, they are commonly logging their case with The Motor Ombudsman at **37 days** (around five weeks) after receiving a response to their complaint, which falls under the eight-week period that a business is granted to provide a final written response to a complaint under current ADR rules.


Vehicle warranty disputes that are brought to The Motor Ombudsman by vehicle owners often result from the following reasons, which are discussed in greater detail in **Section 3** of this paper:

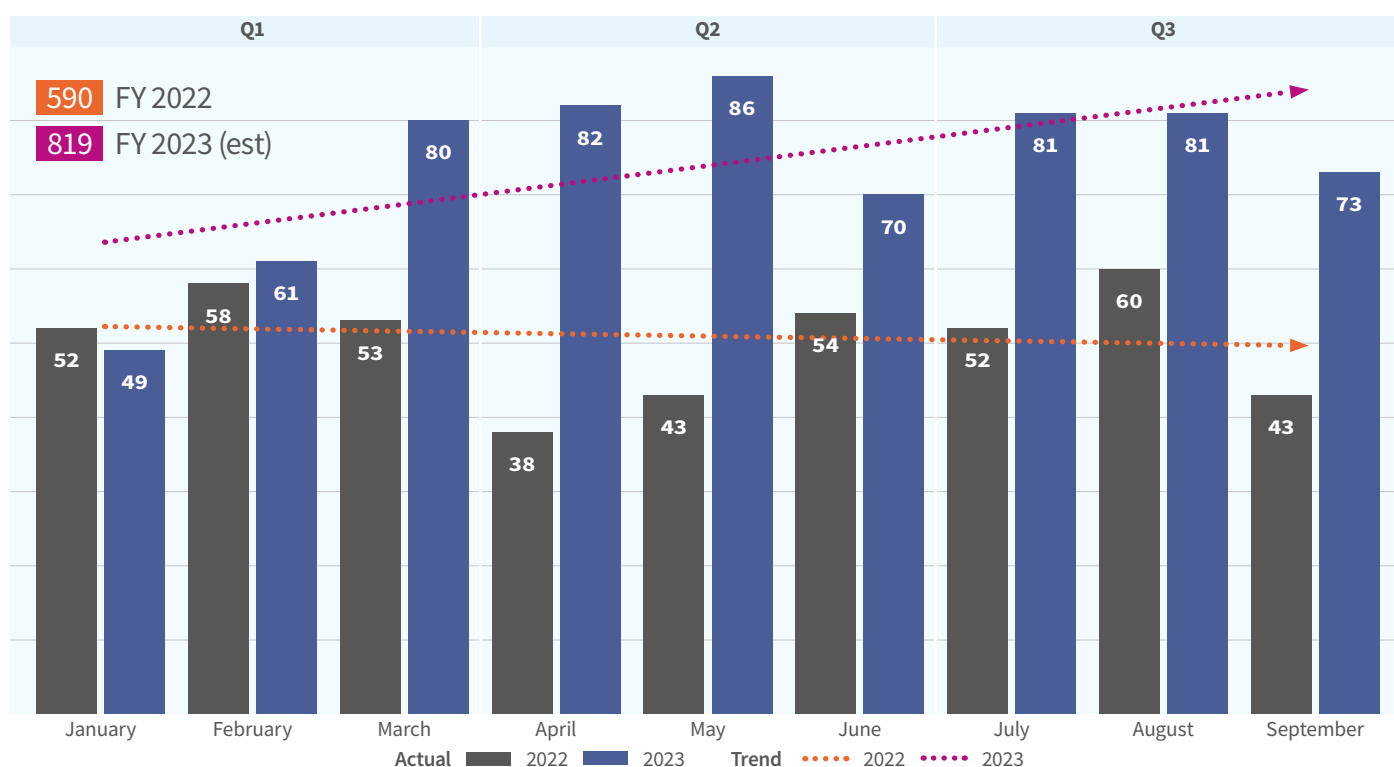
- ▶ Consumers deeming vehicle components or terms (such as mileage or age limits) to be covered under their warranty agreement, but have been told otherwise by the warranty provider;
- ▶ Consumers having claims turned down due to the issue being categorised by the warranty provider as “wear and tear” or not being a sudden unexpected failure or breakdown;
- ▶ Consumers not being aware of policy exclusions at the time of claiming (such as the need to have a full service history), despite terms and conditions being made available and accepted at the point of purchase;
- ▶ Delays to valid claims being authorised by the warranty provider; and
- ▶ Repairs being authorised by the warranty provider, but are subsequently delayed due to parts supply issues at garages, and resulting in consumers incurring an added degree of stress and inconvenience.

1.2 The volume of extended vehicle warranty disputes brought to The Motor Ombudsman

Vehicle Warranty Products Code disputes represent the smallest volume of cases handled by The Motor Ombudsman on an annual basis.

▼ **Fig. 1:** The volume of extended warranty disputes brought by consumers to The Motor Ombudsman (Q1 to Q3 2023 versus Q1 to Q3 2022)

	Q1			Q2			Q3			
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Total (Q1 to Q3)
 Number of disputes (2022)	52	58	53	38	43	54	52	60	43	453
Number of disputes (2023)	49	61	80	82	86	70	81	81	73	663
% year-on-year change	- 6%	+ 5%	+ 51%	+ 116%	+ 100%	+ 30%	+ 56%	+ 35%	+ 70%	+ 46%



For the first three quarters of 2023, there has been a pronounced month-on-month increase in the number of disputes versus that seen during the same period in 2022, as highlighted by the two dotted trend lines on the graph above. In all months so far in 2023, with January being the exception, the monthly volume of disputes has been higher in 2023 compared to the previous year.

In fact, the first eight months of 2023 saw the total number of disputes match the total for the whole of 2022 (i.e. 590), and for the Q1 to Q3 period, the number of disputes received by The Motor Ombudsman so far in 2023 has reached **663**, an increase of 46% compared to the figure of **453** recorded for Q1 to Q3 2022.

Based on the current trend, it is expected that, with one quarter of the year still to go at the time of publication, the total volume of disputes will reach **819** by year-end – a rise of 229 (or 39%) versus the number recorded for the full 2022 calendar year (**590**).

When viewed in isolation, the heightened dispute volumes seen so far in 2023 represent less than 1% of the millions of used cars and extended warranty policies sold each year in the UK, and reflects a reasonably positive picture in relation to the level of customer satisfaction with the service and products delivered by the industry's extended warranty providers.



When looking at the possible reasons behind the year-on-year increase in the volume of complaints about warranty products during the first nine months of 2023 compared to the same period in 2022, this can be put down to the following principal assumptions:

- ▶ As highlighted previously, overall used car transactions in the UK have increased year-on-year, suggesting a higher take-up of extended warranties. This is also reflected by an increase in quotation requests from consumers for policies since 2017⁵;
- ▶ Vehicle components and repairs have become more expensive due to parts shortages and inflationary pressures, thereby driving a greater likelihood for consumers to complain, whilst also adding a greater sense of urgency in the minds of customers to recoup losses amidst a cost of living crisis;
- ▶ There are more businesses accredited to The Motor Ombudsman's Vehicle Warranty Products Code in 2023 versus 2022; and
- ▶ Consumers have an increasing awareness of their rights, and the scope of awards available to them (subject to their complaint being upheld), when they are dissatisfied with a product or service.

1.3 Consumer disputes about extended vehicle warranty products by fuel type

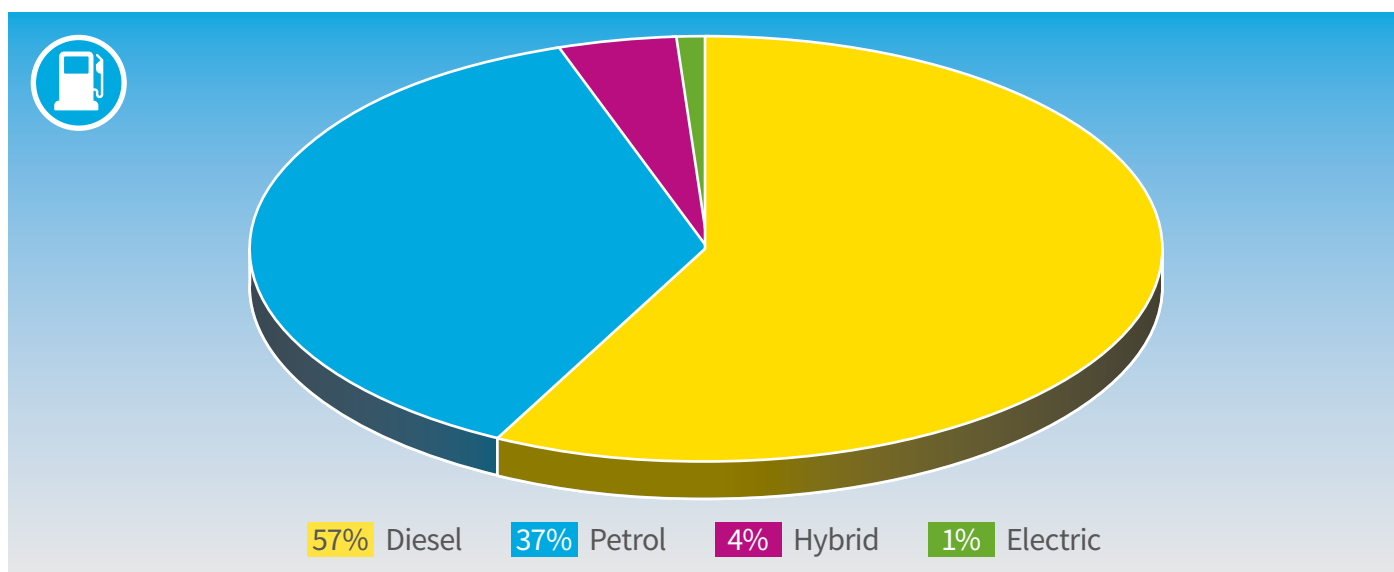


When looking at the vehicle warranty disputes brought by consumers to The Motor Ombudsman in the first nine months of 2023, it is interesting to note (as shown in Fig. 2 below) that the majority (57%) of complaints relate to a diesel vehicle, followed by petrol (37%).

In contrast, hybrid cars, which have been on the market for some time, attract amongst the fewest number of disputes at just 4%, which is an encouraging trend despite having two different types of powertrain working in parallel (i.e. an engine and electric motor).

Electric vehicles (EVs) however, account for just 1% of complaints, which reflects the relative infancy of this fuel type and a used car market share of 1.7%⁶. This trend will no doubt change as electric vehicles become more widespread on UK roads and extended warranties are taken out by consumers for older cars. This is also insinuated by the fact that, according to Intelligent Motoring, the number of extended vehicle warranty quotes for ICE vehicles has continued to rise on average by 5% since 2020, whilst EV warranties have grown by around 70% per year for the same period⁷.

▼ Fig. 2: Extended vehicle warranty complaints by fuel type (Q1 to Q3 2023)



⁵ Source: Motor Trade News – www.motortradenews.com/news/demand-for-extended-warranties-grows

⁶ Source: The Society of Motor Manufacturers and Traders (SMMT)

⁷ Source: Motor Trade News – www.motortradenews.com/news/demand-for-extended-warranties-grows

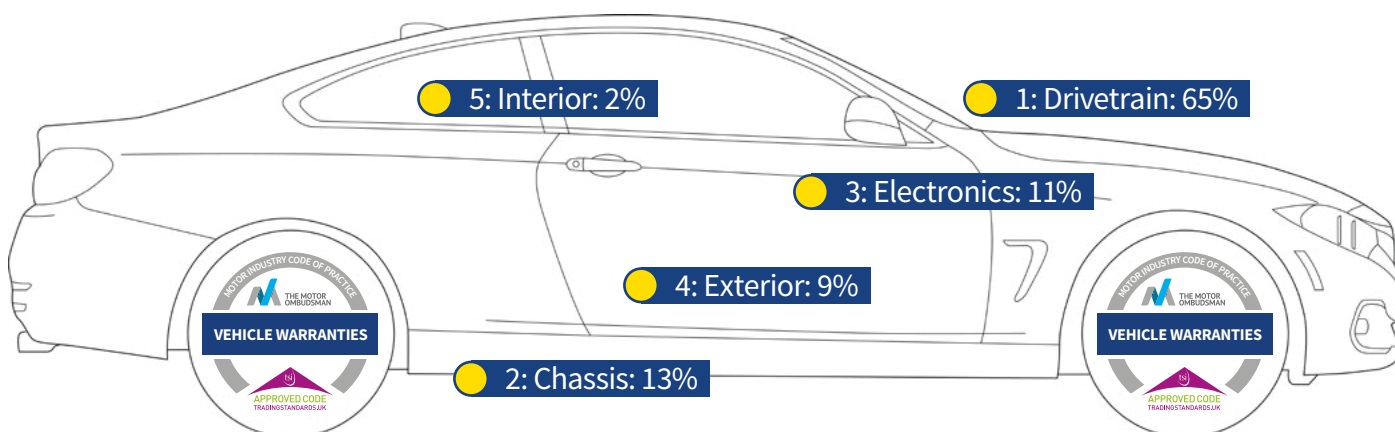
SECTION 2. Sources of consumer claims by vehicle area and average claim values (Q1 to Q3 2023)

Before looking in greater depth at the reasons for disputes between business and consumers, it is interesting to explore the root cause of these warranty claims (i.e. the vehicle itself).

Claims often stem from the complete breakdown or a notable fault with one or more components, and the following percentages highlight the source of claims by vehicle area seen in the complaints brought to The Motor Ombudsman by consumers during the first nine months of 2023:

1. The **drivetrain (65%)** – encompassing the engine (and motors for EVs and hybrids) and its individual components, the fuel and emission systems, and the transmission;
2. The **chassis (13%)** – encompassing the suspension, brakes and wheels / tyres, and related components;
3. The vehicle's **electronics (11%)** – encompassing the car's control and power infrastructure;
4. The vehicle's **exterior (9%)** – encompassing body / paintwork and external fixtures; and
5. The vehicle's **interior (2%)** – encompassing in-car systems and cabin furnishings.

▼ **Fig. 3: Vehicle component areas as a source of extended vehicle warranty claims brought to The Motor Ombudsman (Q1 to Q3 2023)**



2.1 The drivetrain: The source of 65% of warranty claims

Drivetrain areas (incl. individual components)	Areas as a % of total drivetrain-related claims
Engine	69%
Transmission	18%
Fuel and emissions	13%

The drivetrain area of the vehicle, centred around propulsion, is where there is the highest concentration of individual mechanical components on a car, and is one of the principal areas that an extended warranty policy often covers. As you might expect, it is also the source of the majority (nearly two-thirds) of warranty claims that sit at the heart of disputes brought to The Motor Ombudsman.

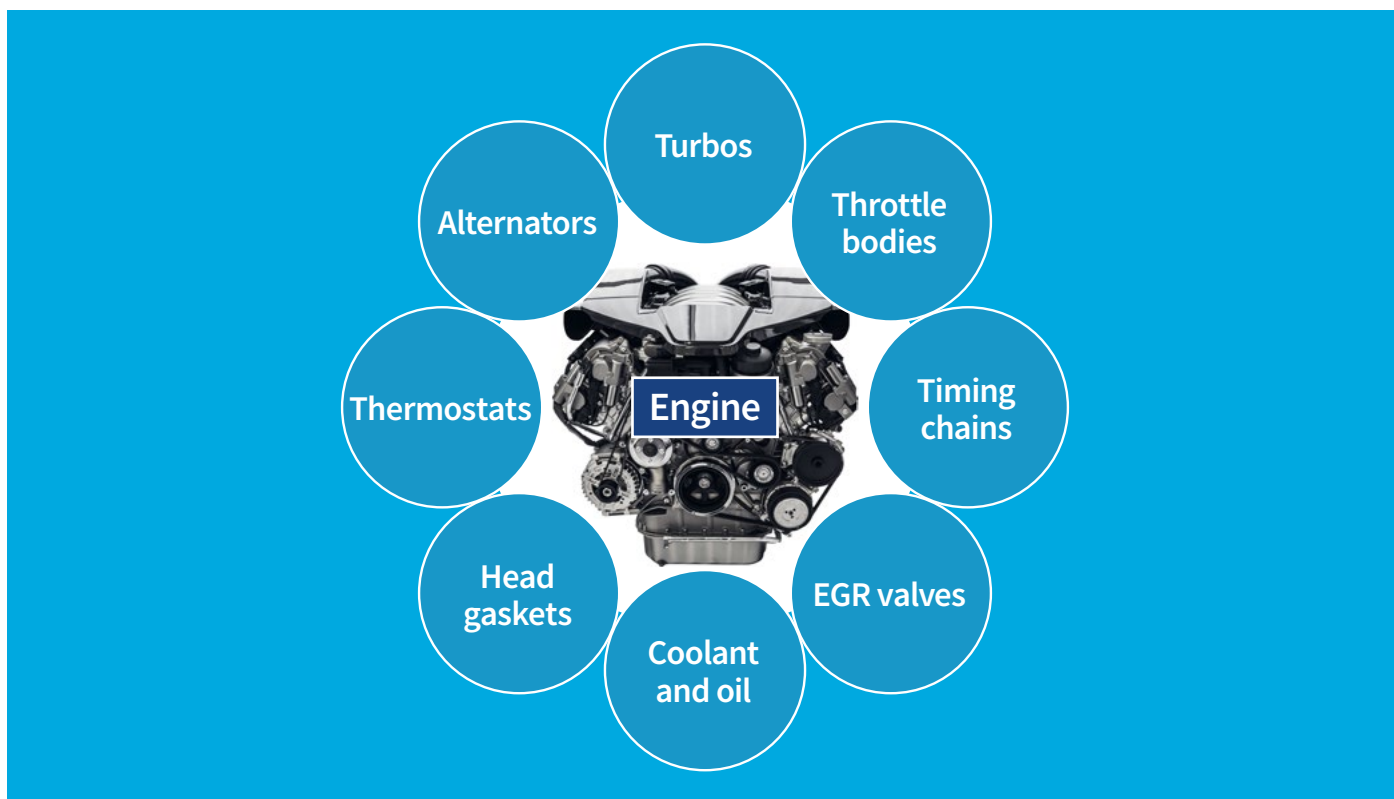
With the engine being one of the most expensive parts of a car to replace in its entirety, this results in some of the highest monetary claim values to resolve a complaint against a warranty provider when it is brought to The Motor Ombudsman.

“With the engine being one of the most expensive parts of a car to replace in its entirety, this results in some of the highest monetary claim values to resolve a complaint against a warranty provider when it is brought to The Motor Ombudsman.”

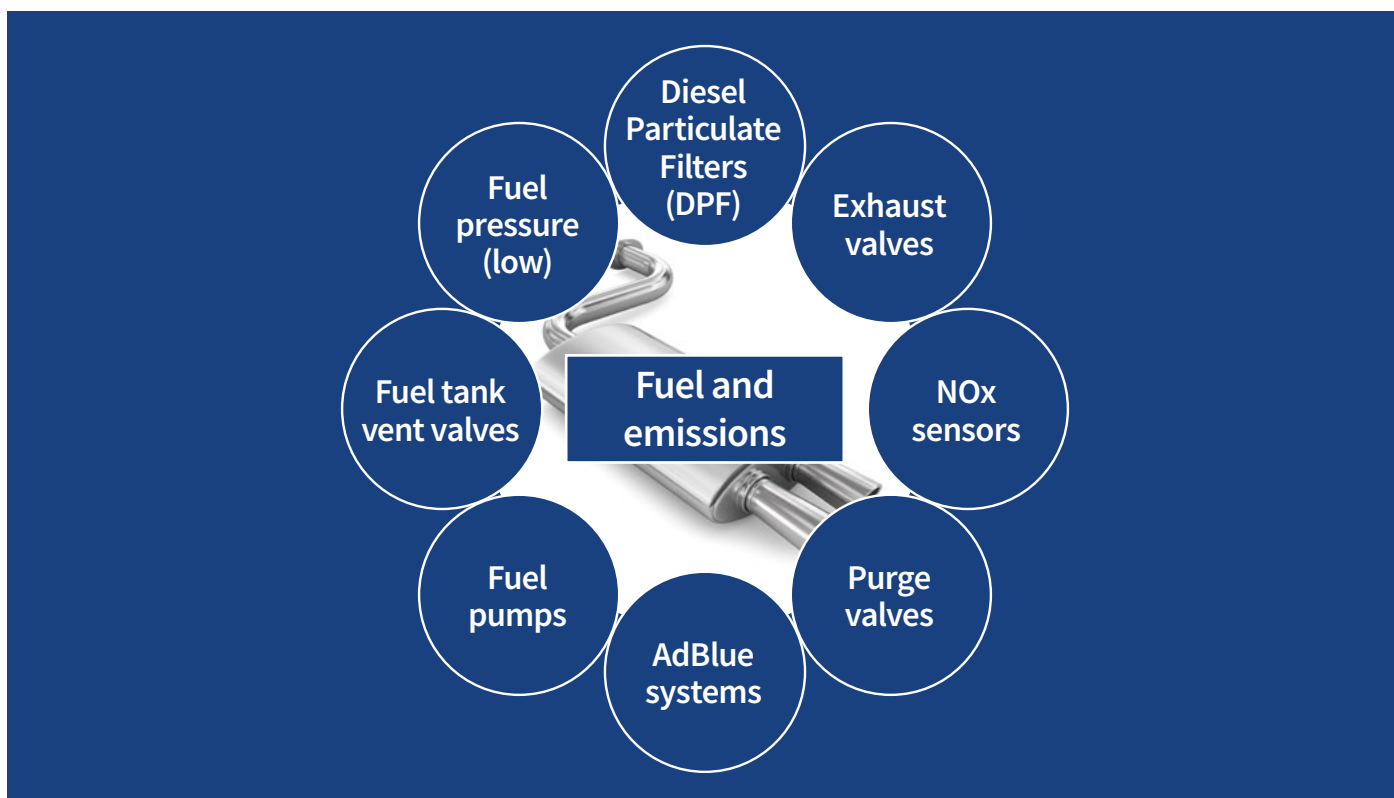
The following graphics highlight some of the key components driving warranty claims for each of the highlighted drivetrain systems.

▼ **Fig. 4: Examples of individual engine components driving warranty claims**






The average consumer claim value for engine-related disputes brought to The Motor Ombudsman, where stated, equated to **£2,755**. For all drivetrain-related disputes, this sum rises to **£2,953**.



▼ **Fig. 5: Examples of individual fuel and emissions components driving warranty claims**



2.2 The chassis: The source of 13% of warranty claims

Chassis areas (incl. individual components)	Areas as a % of total chassis-related complaints
 Suspension	36%
 Wheels	21%
 Steering	20%
 Braking system	19%
 Axles	4%

Suspension (36% of chassis-related complaints)

Concerns with a vehicle's suspension accounted for the majority (over a third) of chassis-related warranty claims that subsequently resulted in a dispute being brought to The Motor Ombudsman. Specific components in this area that suffered faults or failures, included:

- ▶ Anti-roll bar links (due to perishing);
- ▶ Air suspension valve units;
- ▶ Coil springs (due to breakages);
- ▶ Bushes;
- ▶ Shock absorbers; and
- ▶ Top mounts.

Wheels (21%)

Wheels drove just over a fifth of chassis-related complaints. Components that required repairs and / or replacement, included:

- ▶ Tyres (due to punctures);
- ▶ Alloys (due to dents, corrosion, and poor repairs); and
- ▶ Wheel bearings (due to failures).

Steering (20%)

Power steering issues, and problems with the steering rack itself, such as cracks and complete failures, were amongst the complaints brought to The Motor Ombudsman in relation to an extended warranty.

Braking system (19%)

Problems with the braking system, which resulted in a claim, included:

- ▶ Bonding failures causing the brakes shoes to shift;
- ▶ Wearing of brake discs and pads; and
- ▶ Issues with ABS pumps.

Axles (4%)

Axles provoked the smallest source of chassis-related complaints during the opening three quarters of 2023, and where issues did occur, these pertained to:

- ▶ Front axle pumps; and
- ▶ Rear differential seals.

- ▶ The average consumer claim value for chassis-related disputes brought to The Motor Ombudsman, where stated, equated to **£2,227**.

2.3 Vehicle electronics: The source of 11% of warranty claims

Vehicle electronics areas	Source of total electronics-related complaints
❑ Control infrastructure	72%
❑ Power infrastructure	28%

With vehicles increasingly reliant on electronics, parts of the control and power infrastructure also attracted claims (albeit a relatively small percentage), which are as follows:

Control infrastructure (72%)

- ▶ Headlight levelling sensors (due to water ingress);
- ▶ Window regulators (due to failures);
- ▶ Advanced Driver Assistance Systems (ADAS) – due to failures;
- ▶ Parking sensors (due to wiring harness issues);
- ▶ Cruise control systems (due to errors);
- ▶ Rear doors not closing (due to electrical faults);
- ▶ ECUs (due to errors); and
- ▶ Alternators (due to failures).

Power infrastructure (28%)

- ▶ Vehicle batteries (ceasing to provide power);
- ▶ Auxiliary batteries on hybrids (due to faults); and
- ▶ Battery systems on EVs (due to high voltage cable faults).

- ▶ The average consumer claim value for electrics-related disputes brought to The Motor Ombudsman, where stated, equated to **£1,582**.



2.4 The vehicle exterior: The source of 9% of warranty claims

The following components related to the exterior of the vehicle, attracted claims between Q1 and Q3, leading in-turn to consumer complaints against the warranty provider. These were namely:

- ▶ Self-adjusting LED sealed headlight units (due to faults and flickering daytime running lights);
- ▶ Convertible soft-tops (due to roof linings detaching);
- ▶ Bonnet insulation (due to becoming detached and resting on engine covers);
- ▶ Alloy wheels (due to scratches from business repairs);
- ▶ Headlamp units and rear light clusters (due to misting / glass breaking and damaging lamp units due to water ingress);
- ▶ Rear cameras (due to complete failures);
- ▶ Door seals (due to perishing);
- ▶ Door handles (due to breakages);
- ▶ Front bumpers (due to flaking paint);
- ▶ Wheel arches (due to interior wheel covers coming loose and dragging on the floor); and
- ▶ Tailgates (due to rust forming from inadequate water drainage).

- ▶ The average consumer claim value for electrics-related disputes brought to The Motor Ombudsman, where stated, equated to **£1,031**.

2.5 The vehicle interior: The source of 2% of warranty claims

Vehicle interior areas (incl. individual components)	Areas as a % of total interior-related complaints
 In-car systems	87%
 Cabin furnishings	13%

The following in-car systems and cabin furnishings, amongst others, have driven warranty claims since the start of 2023:

In-car systems (87%)

- ▶ Air conditioning and climate control systems (due to condenser failures);
- ▶ Infotainment / audio systems (due to faulty amplifiers);
- ▶ Heaters and demisters (due to faults with heat exchangers); and
- ▶ Heated seat heating elements (ceasing to function).

Cabin furnishings (13%)

- ▶ Gloveboxes (due to locks seizing in a closed position); and
- ▶ Door lighting (due to bulb faults).

▶ The average consumer claim value for electrics-related disputes brought to The Motor Ombudsman, where stated, equated to **£1,153**.

SECTION 3. Key causes of consumer dissatisfaction



When looking at disputes in relation to extended vehicle warranty policies that have been brought to The Motor Ombudsman's attention over the course of this year, there are often recurring themes as to why consumers can be dissatisfied, which will most likely be at the time a claim has been refused, thereby leading to a dispute.

In fact, this negative sentiment can stem from the following two principal reasons:

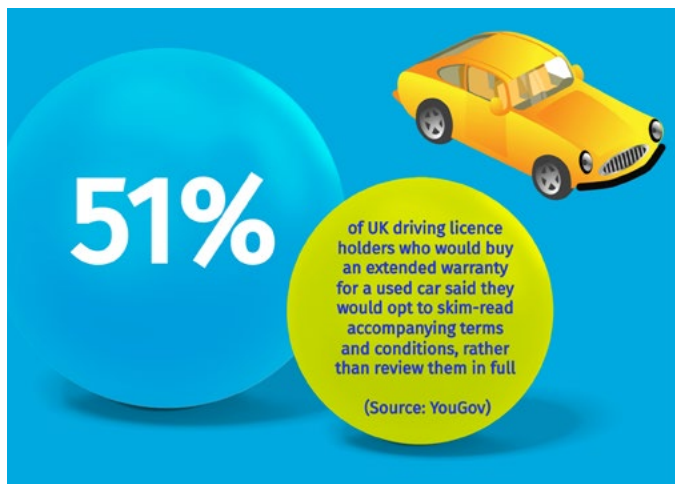
- ▶ The consumer has either not fully read or fully understood the terms and conditions of the policy (including any exclusions); or
- ▶ A business has not clearly defined the terms of the agreement at the point of sale in writing and / or verbally (i.e. the associated conditions for making a valid claim) – often the most breached clause of the Vehicle Warranty Products Code by businesses on a yearly basis (under the banner of clarity of information):

Clause 3.4 of the Vehicle Warranty Products Code reads: *“The accredited business’s warranty products will clearly list all parts which are (and are not) covered by the product”*.

The purpose of highlighting the above from a completely independent and impartial perspective, is not to apportion blame to either party, but to illustrate the implications of these “deficiencies” or “misunderstandings” on both sides.

Terms and conditions governing extended vehicle warranties are often comprehensive. They can use a degree of jargon or specific technical terminology, and may prove difficult to understand for some, especially if English is not the first language for the vehicle owner. Of course, documentation pertaining to the purchase of any product or service should indeed not be agreed to or signed by a consumer if they do not fully understand the contents and implications of the accompanying small print.

However, with many consumers living in a time-pressured and fast-paced environment, and where terms can be readily accepted at the click of a button in the online era, this can result in a greater margin for error on the part of the consumer to commit to something that may not actually be right for them.



A YouGov poll conducted by The Motor Ombudsman last year, revealed that more than half (51%) of UK driving licence holders who would purchase an extended warranty for a used car, would merely skim-read any accompanying terms and conditions to get a basic understanding of the components that may be claimed for in the event of failure, as well as the definition of key policy terminology and exclusions.

In contrast, a smaller proportion (42%) of the prospective warranty holders stated they would review the accompanying terms and conditions in their entirety, to fully understand the contents of the agreement before signing it. The Motor Ombudsman's study of 500 individuals also revealed that a minority (5%) would not review any element of the small print.

Where disputes can arise from a lack of understanding of the terms of a warranty plan, or where they have not been clearly explained from the outset by the business, may be in the following three scenarios:

- ▶ Claims are declined due to vehicle problems being classed as “wear and tear” rather than sudden or unexpected mechanical failures (refer to 3.1);
- ▶ Warranty claims are turned down because vehicles do not have a full service history (refer to 3.2); and
- ▶ Warranty claims are unsuccessful because vehicle issues did not cause an immediate failure or sudden breakdown (refer to 3.3).

However, an element of consumer frustration may also occur (and subsequently lead to a dispute), if:

- ▶ There are delays to valid vehicle repairs being authorised by the warranty provider (refer to 3.4); and
- ▶ There are delays to parts being made available for vehicle repairs authorised by the warranty provider (refer to 3.5).

These five points will now be discussed in more detail.

3.1 Claims are declined due to vehicle issues being classed as “wear and tear”

The term “wear and tear” covers the degradation of vehicle parts through use, and the vehicle ageing over time. This may apply to items or “consumables”, such as tyres, brakes and clutches, but wear and tear can equally affect any mechanical components or areas such as the cabin trim or furnishings⁸.

A provision for wear and tear has been known to be covered under some extended warranty policies, but the terms around this will be clearly highlighted by providers, as well as the conditions that need to be met in order for consumers to make a successful claim – included in documentation that is duly supplied at the point of purchase.

Wear and tear can prove to be one of the more contentious subjects, and a key source of consumer dissatisfaction, frustration, and confusion with regards to vehicle warranties, thereby leading to disputes. This is because it can sometimes appear as a grey area in the minds of consumers, especially when a part has failed with little usage at the time of making a claim, prematurely versus the expected lifespan of a component, or when a significant cost falls on the consumer with a diagnosis that they ultimately disagree with.

This can be demonstrated by these extracts from case submissions regarding the following component failures:

Timing chain failures

Consumer A said:



“The warranty provider declined my claim (for £2,000), stating that the timing chain failed due to wear and tear. I informed them that it has an expected whole life of vehicle term. They then stated that, due to the age and mileage of the vehicle, they were not prepared to cover the item. I asked them what was covered since I purchased the warranty, but they could not provide me with an answer”.

Brake failures

Consumer B said:



“I have had my five-year-old car, which I bought used with an extended warranty, less than a year, and have only done 7,000 miles since buying it. I was in a car accident, as my brakes didn’t work. I was concerned, as the car should have stopped. I hadn’t realised there was a problem up until this point, but it turns out the brakes are broken. The brakes have not worn, but the bonding failed, allowing the shoes to shift and cause damage. I have raised this with the warranty company and the retailer, who said that it is wear and tear, and would not cover the cost of the repair of nearly £800”.

Air suspension failures

Consumer C said:



“I bought a car with a two-year top-of-the-range extended warranty. Three months later, and after 2,500 miles, the air suspension failed, so I made a claim. However, in response, the warranty provider said they wouldn’t cover the cost of the repair, as they classed this as wear and tear, but the policy says I’m covered for suspension problems”.

Slave cylinder failures

Consumer D said:



“The warranty claim for £3,000 has been declined, because it is believed that the slave cylinder failure was caused by a worn clutch, and now I must replace the clutch and slave at my own expense. I find it unacceptable that, a car that has been looked after correctly in the main dealer network, is only four years of age, and has only covered 41,000 miles, should suffer such a failure. The parts are clearly not fit for purpose if this is the life expectancy. I am sure if you interrogate the car’s ECU, you can see how the car is driven, and that it is not abused or thrashed. I therefore find it unacceptable that the warranty provider will not meet this cost under my policy given the early failure of the parts involved”.



Key Learning Point: Is “wear and tear” considered unsatisfactory quality?

With the use of a car over time, wear and tear will become a factor as to the state and condition of a vehicle and its components. This is particularly relevant to used cars, and simply because a car is showing signs of wear (either aesthetic or mechanical), this does not mean the vehicle is of unsatisfactory quality in its current state, or when it was manufactured.

► Refer to **Section 5** for a case study on “wear and tear”.

⁸ Source: The Motor Ombudsman Knowledge Base – www.themotorombudsman.org/knowledge-base/what-is-classed-as-wear-and-tear

3.2 Warranty claims being turned down because vehicles do not have a full service history or associated conditions have not been met

Maintaining a full service history as per the vehicle manufacturer's recommended intervals, is one of the most common conditions for being able to make a valid warranty claim, but is equally a condition in the terms that can of course be overlooked by consumers. Added complications in this area, when looking at case submissions, are when a customer may have recently bought a used car, and may have difficulty sourcing the vehicle's service history from a previous owner to provide documented proof for a claim:

Consumer E said:



"I bought a used 16-plate luxury saloon from an independent car retailer in September 2022, and took out an extended warranty at the same time, which covers up to £5,000 per repair. In August 2023, the car broke down, and I had the vehicle towed to a nearby garage due to the car losing power, and there was a noise coming from the front of the vehicle. I supplied the repairer with my policy details to put a claim through, and I subsequently received an e-mail from the warranty provider asking me for documentation about work done on the car to date, including the full service history. I sent them through what I had between 2019 and 2023, and two days later, I was told that the claim had been declined due to two missing service history documents for 2018 and 2022.

I found the 2022 service history documents and explained that I had bought the car in 2022, and contacted the manufacturer to find out the correspondence details of the franchise dealership that originally sold the car back in 2016, but they had gone out of business during the pandemic. Therefore, there was no way I could get the 2018 service history, and the manufacturer told me that the car originally came with a four-year warranty, meaning the car could have had the service in 2018.

The warranty provider therefore reassessed my claim, offering to appoint an independent inspector to assess my car, but they said that the engine would need to be removed to be stripped, and was told that it was my responsibility to pay the estimated cost of £2,500 without any guarantee that a claim would subsequently be approved".

Frustration at the point of making a claim may also result from a consumer not being aware that servicing had to take place at a VAT-registered business in order to be approved, as demonstrated by the complaint cited below:

Consumer E said:



"I submitted a claim to the warranty provider, which was declined due to the service history of the car. The most recent service was completed by a non VAT-registered garage by the previous owner, and I have not had a service carried out as yet, because the next service is not due until April 2024.

At the point of sale, I do not recall the sales advisor advising me that my car needed to have a service history from a VAT-registered business. I also do not remember them running through the relevant questions over the phone to ensure that I actually qualified for the warranty. This is very misleading, particularly because, also, on the warranty provider's website, it says that, as long as your car has been serviced within the last 12 months, you are able to purchase a warranty (a business being VAT-registered is not stated)".

This suggests that, even though consumers should of course read any terms in full, vehicle owners are still missing or overlooking vital information, therefore putting forward the argument that the conditions associated with a service history should be more clearly emphasised by businesses at the point of purchase, alongside other key terms.

3.3 Warranty claims being unsuccessful because vehicle issues did not cause an immediate failure / sudden breakdown

An extended warranty often covers the sudden and unexpected failure of a listed component which needs immediate repair. This may be illustrated through a vehicle breakdown during a journey, where a fault caused the vehicle to stop operating, requiring the driver to pull over to bring the car to a halt.

However, the flip side for having such a clause is that some consumers may not be clear as to what defines "sudden" or "immediate", so frustration, and a feeling of having been mis-lead, may ensue at the point of making a claim if a vehicle owner assumed that the warranty covered all eventualities i.e. immediate failures or otherwise. This can be illustrated by the following extracts from recent case submissions to The Motor Ombudsman:

Consumer G said:



"I have been mis-sold a car warranty product where I wanted cover for all parts failures. The issue only surfaced when I tried to make a claim for a new intercooler, which was initially refused because the car had not been recovered, and hence I became aware of this clause.

I have written correspondence from the warranty provider that clearly states my requirements, and clarification of what is included under the policy. Therefore, my dispute is not about the list of parts that are covered, but the instances under which I can claim".

Consumer H said:



“Whilst I was driving, the injectors on our eleven-year-old people carrier failed. I therefore stopped the car, and had it recovered to a garage to prevent any further damage. The warranty company have declined our claim for £2,100 to repair the injectors and the EGR valve, saying they only cover immediate mechanical failure, which to us, was exactly what happened. I appealed their decision twice, but they still said the same thing.

As this is a family car for three young children, and we need it for school runs, we ended up paying for the repairs ourselves, meaning it is now fixed and running better than ever. To not be out of pocket, we have once again tried to claim the money back, but the business is flat out refusing, saying that it was not an immediate failure, and therefore won't reimburse anything”.

► Refer to **Section 5** for a case study on this subject.

3.4 Delays to valid vehicle repairs being authorised by the warranty provider

Consumer frustration may also occur when a consumer deems a fault to be covered by their warranty, but authorisation to allow the garage to carry out the work is delayed. This concern may be accentuated by vehicles sitting stationary at businesses waiting to be repaired, and worsening in their condition from the customer's perspective.

Consumer I said:



“The dealer said they were awaiting authorisation from the warranty provider to carry out the work. The car meanwhile has been sitting there in the open elements, and during this time, the paintwork would have been contaminated, and the battery has also discharged. An alert on my app says the battery condition is critical, and now needs replacing”.

3.5 Delays to parts being available for repairs covered by the warranty provider

One of the other “pinch points” that Motor Ombudsman data has highlighted, is the fact that, in the scenario where consumers are successful in having repairs approved, and costs covered by the warranty provider (i.e. they meet the terms of their policy), disputes can also arise due to delays in the supply of replacement parts to garages, with shortages widely publicised in recent months due to production issues – a knock-on effect of the pandemic, and often beyond the control of warranty providers themselves.



Key Learning Point: Are manufacturers obliged to supply replacement parts after production of a vehicle has ended?

Although there is no legal requirement on vehicle manufacturers to supply spare parts after production of a model has ended, they often continue to provide them for several years for the purpose of vehicle repairs.

The Motor Ombudsman's New Car Code, which many vehicle manufacturers are accredited to, also includes the provision (in clause 4.3) that: ‘Spare parts will be made available from the time a new model is launched, throughout its production and for a reasonable period thereafter’.

SECTION 4. The personal impact of vehicle faults and warranty disputes



At the beginning of each claim is a consumer and a human story, and / or an individual that may find themselves in potentially vulnerable circumstances. Therefore, when something has gone wrong with a vehicle, and it is off the road for either a short or a prolonged period, some consumers, especially those who rely heavily on their vehicle for independence, may feel the mental and emotional strain of a vehicle going wrong more than others, aside from the associated financial cost of rectification. This therefore emphasises the importance, and the requirement stipulated by The Motor Ombudsman's Vehicle Warranty Products Code, to handle customer claims to the highest possible standards, and to resolve any complaints that may ensue, swiftly and fairly.

The following case extracts from disputes submitted to The Motor Ombudsman since the beginning of 2023, demonstrate the effect that the warranty process may have on some individuals and those around them (as highlighted below in bold), most notably in scenarios when a claim is not successful:

Consumer J, who had a claim turned down, due an issue with the alarm being diagnosed as a battery fault that was not covered under their warranty policy, said:



*"I purchased a five-and-a-half-year-old used hatchback for £12,000 with a two-year warranty. After a year, a fault with the car alarm system quickly became apparent on the vehicle, as it went off several times a day and throughout the night. Almost two years later, five engineers and five garages have not been able to solve this issue, and it has cost me almost £1,000 to repair. **This has disrupted my work, and has had a major effect on my mental health, and on mine and my neighbours' sleep and home lives**".*

Consumer K, who had braking and turbo issues with their vehicle, and was unable to get their car repaired under warranty due not to having a full service history, thereby leaving their vehicle stranded at a garage, whilst incurring storage fees, explained:



"I am suffering terribly as a result, as I live in one town, and have to work in another, plus all the other family commuting has now been made impossible and challenging. I am therefore asking for the warranty provider to repair my car and to return it to me".

Consumer L, who has been unable to have the issue rectified with their vehicle, said:



*"I bought a used car, and both the boot and one of the back passenger doors wouldn't open. The boot also had a leak coming through the windscreen and the boot strip was coming away. Over three months later, and after constant emailing and ringing both the garage and warranty provider, I've still not had the problems fixed. **I have two babies and disabled twins, and the car is not being driven at the moment, as I'm struggling to get them in and out of one door**".*

Aside from the emotional toll that warranty disputes and cars being off the road can have, they also impact livelihoods, as illustrated by the following case extract:

Consumer M, who has been unable to have the issue rectified with their vehicle, said:



*"I contacted the warranty provider, and have had multiple phone calls from them explaining they will look into it more and get back to me. It's now been over a week, and they said they would call me back today. **I haven't received a call. I am an NHS paramedic, my wife is an NHS nurse, and we have a newborn on the way. Please help!**"*

SECTION 5. Case studies of vehicle warranty product dispute outcomes

The following section looks at Vehicle Warranty Product Code case studies highlighting some causes of customer complaints, and the rationale behind case outcomes drawn by The Motor Ombudsman.

1. Case summary:

Nature of dispute	A sudden and unexpected failure of the water pump and timing belts not being covered under warranty
Age of vehicle when purchased	15 years old
Outcome	Upheld in the consumer's favour
Consumer award	For the warranty provider to cover the cost of repairs to the water pump

► What was the consumer's complaint?



Ms A bought a used diesel 08-plate MPV in January 2023 from a used car retailer with around 83,000 miles on the clock, with assurances from the seller about its excellent condition and lack of defects. Alongside the vehicle, she agreed to take out a warranty policy from a Motor Ombudsman-accredited provider.

However, around a month after buying the car, the car's engine unexpectedly failed while Ms A was driving, leaving her stranded at the roadside. The consumer therefore promptly arranged for the car to be towed to a local garage with prior approval from the warranty provider. They diagnosed the issue as being a sudden and unexpected failure of the timing belt and water pump. Upon reviewing her warranty agreement, Ms A discovered that she could claim for this, as these parts were explicitly covered under the terms of the warranty.

However, despite the above, the warranty provider declined the consumer's claim, stating that the breakdown was not considered sudden and unexpected. Ms A disputed this, and provided evidence of regular maintenance in line with the manufacturer's standards, believing it adequately supported her argument that the component failures were sudden and unexpected.

In response to her complaint, the warranty business arranged an independent vehicle inspection to underline their decision. Despite this, Ms A raised concerns about the inspector's impartiality, given that they were paid for by the warranty provider. Additionally, when the findings were made available, the consumer was of the opinion that the inspector's evaluation contradicted reports from two other independent garages.

Despite her efforts, the warranty provider maintained their position, and upheld their decision to deny coverage for the claim, leaving Ms A to cover the full cost of repairs totalling around £2,400. The consumer nevertheless believed that the warranty provider did not appropriately apply the terms of the warranty, and therefore sought reimbursement for the expenses incurred during the repairs.

► What was the business's response to the consumer's complaint?

Due to the nature of the problem that had occurred with Ms A's car, the warranty provider explained that they had commissioned an independent report to assess claims in any instances where there was any doubt about the complexity or concern about the nature of the failure, and whether it met the terms of a valid claim.

The inspector's report confirmed that there had clearly been a loss of engine timing, and that the most likely cause was due to a seizure of the water pump, stripping multiple teeth from the timing belt and resulting in a loss of engine timing.

However, the assessment also pointed to the fact that there was evidence that the timing belt had been running abnormally prior to the final failure, due to grooving and evident heat exposure to the timing cover, pointing to the fact that the water pump defect had been developing over a prolonged period. In addition, the coolant vessel was found to be of a very recent fitment, indicating previous coolant loss or cooling system concerns.

As a result, the business found that the findings of the report as compiled by the independent engineer supported the opinion of the warranty provider that there had not been a sudden and unexpected breakdown of the aforementioned components, contrary to the terms of the consumer's warranty plan. Therefore, Ms A's claim was declined, meaning no repair costs would be covered.

► What was The Motor Ombudsman's response to this case?

The Motor Ombudsman adjudicator reviewed the evidence provided by both parties, and stated that, according to the seller of the vehicle, they assured Ms A that the vehicle had undergone thorough checks before the sale, and was free of defects. Ms A's purchase also included taking out the warranty, indicating that the warranty provider likely had knowledge of the vehicle's condition.

The adjudicator also mentioned that, since Ms A bought the policy alongside the vehicle, she would have had limited to no knowledge of any past faults or issues beyond those disclosed during the purchase. However, the ultimate responsibility to ensure the vehicle's suitability for coverage sat with the warranty provider.

The adjudicator also carefully reviewed the inspection findings report to assess whether Ms A could have reasonably expected the water pump seizure, which was identified as the cause of the breakdown. Despite the consumer's concerns about the impartiality of the report, the findings did not provide any explicit evidence that would indicate that a reasonable consumer should have expected the water pump seizure, and the corresponding damage to the timing belt.

Furthermore, a diagnostics invoice from a garage supported the fact that the water pump failure is usually an unforeseeable incident, supporting Ms A's claim.

► What was the adjudicator's conclusion?

After careful consideration of the evidence presented, and The Motor Ombudsman's definition of what could reasonably be "classed" as "unexpected", the adjudicator believed that the warranty provider should reimburse Ms A accordingly for the cost of the repairs to the water pump. This was because the breakdown caused by the gradual seizure of the water pump aligned with the warranty's requirement of being "unexpected", thereby making the repairs eligible for coverage under its terms.

► How was this case concluded?

Both parties agreed with the adjudication outcome, and the case was closed.

2. Case summary:

Nature of dispute	Mis-selling of a warranty beyond the vehicle's maximum mileage limit at the time of purchase
Age of vehicle when purchased	14 years old
Outcome	Partially upheld in the consumer's favour
Consumer award	Code breach identified, but no financial award made

► What was the consumer's complaint?



Mr B bought an 08-plate diesel compact crossover in March 2022 from an independent car retailer, where the vehicle's mileage was 96,274 at the time of sale, and which included a third-party warranty as part of the price of the vehicle. However, a year after buying the car, and with a further 4,000 miles on the clock (100,640), the clutch and dual mass flywheel failed. Mr B therefore put in a claim to the warranty provider to have the cost of repairs to both components covered, but this was declined on the basis that the vehicle's mileage, at this point, was over 90,000 and 80,000 miles, respectively.

This left Mr B having to pay out £1,070 for the work to his vehicle, and was therefore seeking for this to be reimbursed by the warranty provider, as he believed that he had been mis-sold his policy from the outset, plus the warranty provider refused to look any further into this complaint.

► What was the business's response to the consumer's complaint?

In response to the consumer's complaint, the business mentioned that, although they did not sell the policy directly to the customer, they stated that all buyers are given a 14-day cooling off period by the selling agents to view, digest and question the warranty being supplied. They added that, if a customer is not happy with such terms, they then had the option to ask questions and request a refund if the policy was deemed to be unsuitable for their requirements. Therefore, on this basis, they were unable to assist the customer with the costs of repair, and added that, from a compliance perspective, they have never received a complaint regarding mis-selling a plan.

► What was The Motor Ombudsman's response to this case?

The Motor Ombudsman adjudicator looked at the evidence provided by both sides, and Mr B's claim that he believed that the policy had been mis-sold to him, as the vehicle would not be covered for any clutch or flywheel failures, due to its mileage at the time of purchase.

Based on the available information, the warranty provider was of the opinion that the cost of the plan was included with the vehicle purchase, and was not something that Mr B had to pay for separately.

However, under The Motor Ombudsman's Vehicle Warranty Products Code, the warranty provider was nevertheless responsible for ensuring

that vehicle retailer staff are competent, knowledgeable, and have received adequate training regarding their warranties.

The adjudicator noted that Mr B had not provided any further information relating to the sales process, such as correspondence with the business that sold him the car, but the warranty provider nevertheless informed The Motor Ombudsman that the dealership was supplied with details on their warranty portfolio, including on the plan supplied to the consumer.

The adjudicator remarked that the agreement was valid for repairs other than the clutch and flywheel, which have mileage restrictions. Although Mr B did not present any correspondence from the selling dealership, it was deemed unlikely that the vehicle was sold under the premise that the plan would cover the cost of any repairs to the clutch and flywheel.

However, what the adjudicator equally pointed out was that, under the provisions of the Code, the warranty provider was responsible for ensuring that any allegations of the mis-selling of a product were investigated by the appropriate party. The adjudicator could not see any evidence that this had happened based on the e-mail correspondence between the two parties.

It was additionally seen as concerning that the warranty provider was unable to confirm whether their product was sold separately or included as part of Mr B's vehicle purchase.

► What was the adjudicator's conclusion?

Although the warranty claim for the vehicle's clutch and flywheel was clearly not covered under the plan, the adjudicator advised the warranty provider to ensure that the vehicle retailer, or whomever the selling agent was, to conduct a full investigation into the sale of the plan, which appeared to have been provided to Mr B, and to duly present these findings to the consumer.

The adjudicator also mentioned that, despite there being a breach of the Code, no financial award was made to Mr B, because the warranty provider had not sold them the product directly. As a result, the consumer was advised that, any financial remedy would need to be sought from the seller, rather than the administrator of the warranty policy.

The appropriate award in this circumstance based on the Code breach, was for the warranty provider to take the corrective actions required, and to ensure that Mr B's complaint was investigated appropriately.

► How was this case concluded?

The business agreed with the adjudication outcome, but the consumer did not respond within the allotted timeframe, thereby closing the case.

3. Case summary:

Nature of dispute	Warranty claim declined due to timing chain failure being classed as "wear and tear"
Age of vehicle when purchased	5.5 years old
Outcome	Upheld in favour of the business
Consumer award	None



► What was the consumer's complaint?

Ms C bought a 66-plate diesel luxury SUV in March 2022 for £24,000, and with 72,000 miles on the clock, and took out a two-year extended warranty at the same time at a cost of £800. Seven months later, in October 2022, the timing chain broke. The consumer therefore filed a claim with the warranty provider to have the cost of repair covered, and sent supporting photographic evidence of the mechanical failure from the franchise dealer workshop, that stated that this component was not a serviceable item, and was built to last the lifetime of the vehicle. However, the warranty provider disagreed with this, and classed the issue suffered by Ms C's vehicle as "wear and tear".

Furthermore, due to the timing chain failing, other components also subsequently seized, leading to a new engine being required at a cost of around £13,000 to Ms C. The consumer therefore disputed the warranty provider's reasoning, as she deemed this kind of mechanical failure to be valid under her policy, and asked for the engine to be replaced at no charge.

► What was the business's response to the consumer's complaint?

The warranty provider reviewed the claim, and asked the repairer to supply a video and clear images of the problem with Ms C's vehicle to be able to assess the issue with mechanical evidence.

Based on what was presented to them, the warranty provider concluded that the images showed that there was wear to the base of the sprocket teeth, and that the open end of the timing chain had worn and stretched to the point where it could no longer withstand the forces applied to it. Therefore, as wear and tear was not covered under the terms of Ms C's warranty, it was confirmed that no assistance could be provided to the consumer.

Ms C disagreed with the outcome, and referred the case to The Motor Ombudsman.

► **What was The Motor Ombudsman's response to this case?**

The Motor Ombudsman adjudicator explained that, under The Motor Ombudsman's Vehicle Warranty Products Code, the warranty provider had an obligation to act in accordance with the warranty agreement, whilst the consumer had the evidential burden of showing that the fault with the engine caused by the timing chain was covered under the terms of their extended warranty agreement.

It was noted that, the warranty provider was only obliged to cover repair costs when a covered component suffered a breakdown due to either a mechanical or electrical failure.

Unfortunately, in this case, there was no evidence available that effectively demonstrated that the timing belt suffered a sudden and unexpected failure.

The evidence showed that the timing chain stretched prematurely and suffered a failure, so could not be considered sudden and unexpected. As such, the adjudicator found that the timing belt was not covered by the terms of the warranty agreement, meaning the warranty provider was not obligated to cover the cost of replacing the engine in Ms C's car.

► **How was this case concluded?**

Neither party disputed the outcome, and the case was closed.

SECTION 6. Conclusions drawn from this paper

The following key conclusions may be drawn from the observations noted in this thought leadership paper:

In summary:

- o The volume of disputes being brought by consumers to The Motor Ombudsman in relation to extended vehicle warranties is on the rise, but as a proportion of the used cars and policies sold each year, represents circa 1%.
- o The nature and profile of complaints seen by The Motor Ombudsman, highlights the need for businesses to put more emphasis on ensuring that consumers fully read and understood terms and conditions when taking out a policy, including on subjects, such as “wear and tear” and what constitutes sudden failures.
- o Similarly, there is an ongoing need for businesses to deliver clear and accurate communications to consumers, with a greater focus on what may be more specific and the more potentially less-understood terms, as highlighted in this paper.
- o With a human cost associated with disputes and the impact of vehicle faults, this reinforces the need for continually high standards in the delivery and execution of vehicle warranty products, as highlighted by the Code of Practice.

Closing remark

From a holistic view, disputes about extended vehicle warranty products ultimately come down to two main factors. From a business point of view, the onus is on them to ensure that information is presented clearly, accurately and uses terminology and wording that all consumers are able to understand, regardless of their level of vehicle knowledge. This is so as to create a level playing field, ensuring that consumers know exactly what they are buying, and when they can and can't use a warranty to cover the cost of repairs.

Similarly, from a consumer perspective, it is their responsibility to make sure that they also take the time to read any documentation, ask questions, and find the right level of protection for their vehicle, to help avoid any unwanted surprises down the line, in the event that something goes wrong with their car.

Achieving such a balanced approach would help drive down complaints, due to a reduced emotional and financial toll on individuals if there is a greater level of understanding from the point of sale through to claim and repair, thereby raising the level of satisfaction and positive relations in this important area of the automotive sector.



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