

Case study

Transmission fault

A couple got in touch with Financial Dispute Resolution Service when their insurer declined their claim for a repair.

Background

Alex and James* bought an older model SUV from a used car dealership in early 2019. In late 2019, they brought the vehicle into a garage when it started to give them problems. The mechanic identified a fault with the transmission and provided a quote for the repair work, totalling \$4000.

The couple submitted a claim, and the insurer arranged for their own assessor to look at the vehicle. The assessor noted that the transmission had been previously repaired and that the parts were worn out. As a result, the insurer declined the claim on the basis that the damage was pre-existing and not covered by their policy.

The couple disagreed with the decision and complained to their insurer. They were unable to resolve the matter, so the complaint became 'deadlocked' and was referred to Financial Dispute Resolution Service.

Next steps

Financial Dispute Resolution Service gathered information from both the couple and their insurer. Alex was frustrated as the insurer had known the age and mileage of the vehicle when they arranged the insurance, and older vehicles were likely to have issues. James had even asked questions around repairs during the sales process and was frustrated as the fault was not caused by them. The insurer questioned the timing of their claim and the likelihood of it not being a pre-existing fault. As both parties could not reach a resolution together, we appointed an adjudicator to make a decision on the matter.

Adjudication

The adjudicator's role was to determine if the insurer's decision to decline the claim was correct.

The adjudicator reviewed the evidence provided and the terms of the policy. The car dealership who sold the vehicle provided a statement confirming that there were no known issues at point of sale. The insurer could not provide any evidence that demonstrated the fault was pre-existing.

After a detailed review of the terms and conditions of the policy, the adjudicator determined that the transmission failure met the obligations of an 'insured event' and did not satisfy the criteria of any of the listed exclusions.

Outcome

The complaint was upheld. The insurer was obliged to accept the repair claim and pay the claim, less the excess amount. Alex and James were no longer out of pocket for the repair work.

**Names have been changed to protect our customers' identities*

