

The complaint

Mr K complains that British Gas Insurance Limited is responsible for poor service in connection with a home emergency insurance policy.

What happened

Where I refer to British Gas, I refer to the insurance company of that name and I include other companies and individuals insofar as I hold that insurance company responsible for their actions.

In my final decision I don't include any name (other than British Gas) of a company, individual, manufacturer or product.

Mr K meets our definition of a micro-enterprise. He owns or manages multiple properties which he lets to tenants. Since at least 2015 he has had British Gas "Multi-Premise" cover.

His complaint concerns one of the properties covered by the policy – which I will call "the Apartment". In 2015 he had British Gas central heating cover, plumbing and drains cover and home electrical cover for the Apartment. But it had no gas supply. And from about 2018, the Apartment didn't have central heating cover.

When there was a problem at the Apartment in April 2019 Mr K called British Gas for help. Mr K complained that British Gas declined to fix the problem, so he had to pay for a replacement immersion heater.

British Gas sent a final response dated 14 June 2019. Mr K brought his complaint to us in September 2019. He asked for reimbursement of £2,300.00 for the replacement and £500.00 compensation for the tenant, plus £750.00 compensation for himself.

our investigator's opinion

Our investigator recommended that the complaint should be upheld in part. She didn't think that British Gas informed Mr K that the policy didn't cover the type of immersion heater in the Apartment. She recommended that British Gas should:

1. meet the cost for the replacement; and
2. pay 8% simple interest from the time Mr K paid for the replacement up to the date of settlement.

my provisional decision

After considering all the evidence, I issued a provisional decision on this complaint to Mr K and to British Gas on 5 August 2020. I summarise my findings:

Mr K sent us a copy of an invoice for £1,675.00 for the replacement of an open-vented cylinder with an unvented cylinder. British Gas hadn't taken its opportunity to

comment on that invoice. I found that the policy should've covered it under the plumbing cover.

Subject to any further information from Mr K or from British Gas, my provisional decision was that I was minded to uphold this complaint in part. I intended to direct British Gas Insurance Limited to pay Mr K:

1. £1,675.00 in reimbursement of the invoice for the replacement cylinder; and
2. simple interest on that amount at a yearly rate of 8% from 31 May 2019 to the date of payment. If British Gas considers that HM Revenue and Customs requires it to withhold income tax from that interest, it must tell Mr K how much it's taken off. It should also give him a tax deduction certificate if he asks for one, so he can reclaim the tax from HM Revenue & Customs if appropriate; and
3. £150.00 for distress and inconvenience.

Mr K accepts the provisional decision. British Gas hasn't responded to the provisional decision. So I see no reason to change my view.

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.

British Gas boiler and controls cover is included in its central heating cover. The British Gas definition of a "*boiler*" includes a requirement that it is a gas or liquid petroleum gas boiler.

In addition to the boiler, British Gas central heating cover also covers the heat and hot water system.

British Gas central heating cover and British Gas plumbing and drainage cover overlap; each includes cover for a hot water cylinder and immersion heater.

The British Gas job history for the Apartment includes in September 2015 a note as follows:

"cancelled - boiler is an electric heater, no gas in property."

I think that was a cancellation of an annual boiler service rather than a cancellation of the central heating cover.

I've seen a renewal letter for the year from 11 October 2015. It shows that the Apartment still had central heating cover, plumbing and drainage cover and home electrical cover at that time.

From its records I see that on 10 June 2016 British Gas made a note as follows:

"THESE APARTMENTS ARE ALL ELECTRIC THEY HAVE NO GAS"

I've seen a renewal letter for the year from 11 October 2016. It shows that the Apartment still had central heating cover, plumbing and drainage cover and home electrical cover at that time.

The job history identifies in 2017 a manufacturer and a product in the Apartment. That product is a "*thermal store*" which has been made in several versions. I think they all include

an electric immersion heating element and a tank for storage of hot water. A note for 19 September 2017 includes the following:

“...*THERMAL STORE, REPLACED BURNT OUT PUMP HEAD AND 1AMP FUSE*”

So I find that British Gas did some work on the thermal store in September 2017.

I've seen a renewal letter for the year from 11 October 2017. It shows that the Apartment still had central heating cover, plumbing and drainage cover and home electrical cover at that time.

I haven't seen the renewal letter for the year from October 2018. But from what happened later I find it likely that the Apartment no longer had central heating cover but still had plumbing and drains cover and home electrical cover.

And the policy terms were the “*Multi Premise Landlords and Managing Agents Terms and Conditions*”. I'm satisfied that I know what those terms said in October 2018 because I've seen a table of changes to them in the May 2019 version.

When Mr K had a problem in April 2019, the plumbing cover included repair or replacement of a hot water cylinder including any immersion heater.

So British Gas was wrong to say in its final response in June 2019 that Mr K's immersion heater wasn't covered because he didn't have central heating cover.

That caused Mr K to complain that British Gas had advised him he couldn't have – or didn't need – central heating cover for the Apartment because it had no gas.

More recently British Gas has referred to the thermal store as a boiler rather than an immersion heater. But the thermal store ran on electricity, so it wasn't within the British Gas definition of a boiler.

British Gas hasn't shown that the thermal store wasn't a hot water storage cylinder with an immersion heater.

I've seen the renewal letter for the year from October 2019. It shows that the Apartment no longer had central heating cover but still had plumbing and drains cover and home electrical cover at that time.

Recently Mr K sent us a copy of an invoice for £1,675.00 for the replacement of an open-vented cylinder with an unvented cylinder. British Gas hasn't taken its opportunity to comment on that invoice. I find that the policy should've covered it under the plumbing cover.

Putting things right

So I find it fair and reasonable to direct British Gas to reimburse Mr K the invoice for £1,675.00. As he's been out of pocket for that amount since 31 May 2019, I find it fair and reasonable to direct British Gas to pay interest at our usual rate.

I haven't seen enough documentary or other evidence to show that Mr K was under any obligation to give the tenants a rent rebate of £500.00 or any other amount. So I don't find that British Gas caused a loss of rent income.

Under the rules by which we are bound, I can only consider compensation for distress and inconvenience caused to the policyholder Mr K – not to his tenants.

I accept that British Gas has – by a decision I’ve found unfair – caused Mr K distress and inconvenience. I consider that much of his distress is at being out of pocket, for which reimbursement with interest will be enough compensation.

But I find it likely that he had to have difficult communications with the tenants as well as with British Gas. So I find it fair and reasonable to direct British Gas to pay Mr K compensation of £150.00 for distress and inconvenience.

My final decision

For the reasons I’ve explained, my final decision is that I uphold this complaint in part. I direct British Gas Insurance Limited to pay Mr K:

1. £1,675.00 in reimbursement of the invoice for the replacement cylinder; and
2. simple interest on that amount at a yearly rate of 8% from 31 May 2019 to the date of payment. If British Gas considers that HM Revenue and Customs requires it to withhold income tax from that interest, it must tell Mr K how much it’s taken off. It should also give him a tax deduction certificate if he asks for one, so he can reclaim the tax from HM Revenue & Customs if appropriate; and
3. £150.00 for distress and inconvenience.

Under the rules of the Financial Ombudsman Service, I’m required to ask Mr K to accept or reject my decision before 7 October 2020.

Christopher Gilbert
Ombudsman