

The complaint

Mr N complains that British Gas Services Limited (BG) cancelled his HomeCare policy by mistake and didn't provide the service that he'd paid for.

What happened

In October 2019, Mr N took out a HomeCare Two policy with BG by sending them a cheque for the requested annual premium of £216. This was sent to BG in their pre-paid envelope with Mr N's account details on the back as requested - and cashed by BG on 16 October. On 28 October, Mr N received confirmation from BG that his policy had been set up.

On 7 November, BG contacted Mr N to say that they hadn't received the payment for his policy, and it was showing as lapsed because of this. Mr N contacted his bank for confirmation that the cheque had been cashed and provided all the payment details to BG. He also asked them to log a complaint to investigate what had happened. He then received further confirmation on 10 November that the policy was in place.

On 12 November, Mr N contacted BG as he wasn't able to access his account and he wanted to arrange his annual service and some other repairs. BG logged the complaint but didn't arrange for the boiler service or look into his account access problems.

At the start of December, Mr N chased BG for an update and was told it was being investigated by their complaints department and was within their timescales to respond. Then at the end of December, Mr N received a letter from BG saying that they'd cancelled his policy as he'd said he didn't want to continue with it – but they were still looking into his complaint.

Around the same time, Mr N's boiler started to experience problems and eventually broke. So, Mr N purchased electric heaters to use through the Christmas period and then used his home insurance policy to repair the boiler as soon as possible.

In mid-March 2020, BG upheld Mr N's complaint. They agreed that Mr N's cheque had been cashed by them in October 2019, but it hadn't been credited to his account until January 2020 which had caused the payment to lapse. They apologised that Mr N hadn't been able to book a boiler service and agreed that he hadn't received the service from them that he should have. So, they arranged to refund his payment and offered him £40 compensation.

Mr N didn't think the compensation was a fair amount for the inconvenience that he'd suffered. He was also unhappy they hadn't explained what had caused the error, so he asked this service to look into his complaint.

Our investigator recommended the complaint was upheld. She thought that Mr N had made it clear he wanted to arrange a service for his boiler and that he'd had no choice but to buy portable heaters for the winter period as his boiler wasn't working correctly.

She also didn't think BG had communicated with Mr N enough to let him know what was happening, meaning he'd been left trying to resolve the issue for five months. So, she thought BG should increase the compensation to £250 and pay 8% interest for the time BG had the money in their account.

Mr D agreed but BG didn't. They said they were happy to pay the 8% interest, but they thought £250 compensation was too much and offered a £100 increase to a total of £160.

As an agreement couldn't be reached, the case has been passed to me to make a decide.

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.

Having done so, I've decided to uphold it. I'll explain why.

BG told us that they didn't feel Mr N's complaint was justified. They said that when Mr N's cheque was received it wasn't applied to his account but remained in their suspense account. They also said that Mr N had chosen to cancel the policy once the payment had been located and that they weren't given the opportunity to provide an engineer for Mr N. But I don't agree.

The terms and conditions of the HomeCare policy states under the 'General conditions' section that "*You can pay for your agreement yearly by cheque, debit card or credit card or Direct Debit*". It's not in dispute that Mr N made his payment by cheque - as BG have now located his payment and refunded him - or that he didn't receive the service he paid for. So, what I need to look into is the impact on Mr N from the loss of the payment by BG.

Lost cheque

In this case Mr N had made the payment in a manner that BG had agreed and provided them with the information they required to set up the policy. So I think it was reasonable for him to believe that BG would be able to process his payment correctly. I recognise BG said that a cheque would be paid into their suspense account if there was insufficient information for them to identify the customer or the information on the cheque was unclear.

However, at some point shortly after receiving the cheque BG must have been able to recognise Mr N or they wouldn't have been able to write to him to confirm the policy had been set up. Or provide account log on details – albeit ones that didn't work. So, it seems likely that there was an error by BG when processing Mr N's payment – rather than the details being unclear.

Looking at the case notes and email correspondence between Mr N and BG and I've seen that on numerous occasions Mr N told BG that the cheque had been cashed and that he'd visited his bank several times to double check this. I've also seen that Mr N provided the date the cheque was cashed, and the cheque number as requested, but BG still weren't able to locate it – despite being provided with all the information they said they needed.

I don't think it was possible for Mr N to do anything more here, and I understand his frustration that even after providing the information, BG weren't able to find a payment which had been cashed for that specific amount, on that specific date, for over five months. And meant he wasn't able to benefit from a service he'd already paid for.

I've also seen that during the five months, Mr N was told conflicting information both by letter and on the phone by BG. I can see that he received a letter at the end of October 2019 confirming that his HomeCare policy was set up and he should call to book his service - which he tried to do but was declined due to the lapsed policy.

I've also seen that Mr N repeatedly contacted BG to ask what was happening as they didn't update him on their investigation. I can see that Mr N became increasingly frustrated at the lack of information or explanation, and when BG did respond to his complaint, they still didn't explain what had happened. Looking at the evidence BG have provided, I also haven't seen anything that explains why it took so long to locate the payment. So I can't reasonably say BG treated Mr N fairly here.

The boiler service and repair

Mr N has said that he feels BG breached their agreement with him by not providing a service he paid for. And looking at the HomeCare terms and conditions I can see that Mr N took out a HomeCare Two policy which should have covered his Boiler, controls and central heating on a service and repair basis. BG said they don't agree as they feel they weren't given the opportunity to repair Mr N's boiler.

Looking at the emails Mr N sent to BG, I think it was clear that he wanted to book a service for the boiler and arrange for other potential repairs. I've seen evidence that he also told BG that he'd tried repeatedly to use their online booking to do this but was met with error messages. I think Mr N also made it clear that he wanted to use the service he'd paid for and that by not providing them, BG had breached their agreement with him. So, I'm satisfied that not only did Mr N make his intentions clear that his boiler needed a service, and additional repairs, he gave BG plenty of opportunities to arrange for an engineer to visit – which they didn't do as they couldn't trace his payment.

I recognise BG's comments that had Mr N specifically told them that an engineer was required they would have arranged for a visit. However, after Mr N had contacted them for several months to arrange this without success, I'm not persuaded that's the case. I've seen evidence that Mr N had to purchase electric heaters once his boiler broke as he had no other way to heat his property over the Christmas period. I think it's unlikely that if Mr N felt there was any chance of BG repairing his boiler, he would have caused himself further difficulty at that time of the year by choosing to wait for his home insurer instead.

Furthermore, as Mr N had paid for the annual policy in full and the cheque had debited his account, he wasn't able to look elsewhere for a replacement policy. This meant he was reliant on BG's investigation to proceed with his boiler service and the additional work he'd already mentioned when taking out the policy.

I haven't seen any evidence from BG to explain why it took five months to locate Mr N's payment. But what I have seen is that BG had sent Mr N several letters saying the policy had been set up, so they were aware that there was an issue somewhere with their internal systems or process. And while BG were aware of this, they didn't try to help Mr N although I think he'd made it clear he thought there may be an issue with his boiler. And because of the delays caused, Mr N's boiler eventually broke leading to further distress and inconvenience for Mr N. So, I don't think BG acted reasonably.

Putting things right

I recognise that BG feel the investigators recommendation of £250 compensation was high given the circumstances of the complaint, but I don't agree.

Throughout the five months that BG were unable to locate Mr N's payment he was caused distress and inconvenience. Mr N had to visit his bank on several occasions and repeatedly chase BG for update despite providing the information BG told him they'd need to locate his payment.

Mr N had made it clear from the outset that he felt his boiler may need additional work but because of the issues with the missing cheque, Mr N was forced into a position where his boiler broke at a time where he wasn't able to arrange for a repair quickly. This meant he had to not only source an alternative way to pay for repairs that should have already been covered but also another way to heat his property during the winter.

So, given the circumstances of the complaint, I think BG should pay Mr N a total of £250 for the trouble and upset caused. This is in addition to the 8% interest per annum they have already agreed pay on the £216 - from the date the cheque was cashed until it was refunded to Mr N.

My final decision

My final decision is that I uphold this complaint.

I instruct British Gas Services Limited to do the following:

- Pay Mr N £250 compensation for the distress and inconvenience caused;
- Pay Mr N 8% standard interest from the date the cheque was cashed until the date the payment was refunded to him*.

*If British Gas Services Limited considers that it's required by HM Revenue & Customs to take off income tax from that interest it should tell Mr N how much it's taken off. It should also give him a certificate showing this if he asks for one, so he can reclaim the tax from HM Revenue & Customs if appropriate.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr N to accept or reject my decision before 17 March 2021.

Jenny Lomax
Ombudsman