

## **The complaint**

Mr A complains about British Gas Insurance Limited (BGIL) and their decision to decline his claim for a leaking hot water tank, before cancelling his policy altogether.

## **What happened**

Mr A took out a Homecare insurance policy with BGIL in August 2020. This policy insured Mr A's boiler and central heating system, as well as providing an annual service. Mr A had previously taken out a separate policy insuring the same boiler and central heating system in September 2018. And his wife had taken out a separate policy in September 2019. BGIL have confirmed that Mr A's policy in 2020 was a new policy, rather than a continuation of the policies that had been taken out before.

In September 2020, BGIL completed an annual service, in line with the terms and conditions of the policy. No issues were identified with the boiler or the central heating system. But in October 2020, Mr A noticed a leak from his hot water tank, a part of his central heating system. So, he contacted BGIL to make a claim. An engineer from BGIL attended and said the hot water tank wasn't covered by the policy. So, they recommended Mr A replace his current system with a combi-boiler. But this option wasn't available to Mr A and the hot water tank was continuing to leak. So, in November 2020, he made an emergency claim on his policy, for the water tank to be fixed.

But the engineer due to attend called Mr A and explained he wouldn't be attending. He explained he completed the annual service in 2019, and he told the policy holder at the time that the water tank was in poor condition. So, he said he wouldn't be attending as it wasn't covered.

Mr A queried this with BGIL. And they said the water tank was declared obsolete when it was serviced in 2019. So, they thought the policy should've been downgraded to reflect this in 2019, and that Mr A's current policy shouldn't have been provided. So, they refunded 2019's premiums to Mr A's wife, and refunded Mr A's premiums he'd paid so far for his 2020 policy. They then cancelled the policy without repairing the leak. Mr A wasn't happy about this, so he raised a complaint.

Mr A complained about BGIL's decision to decline his claim. He explained an engineer had completed an annual service in September 2020 and hadn't found any issues with the hot water tank. He didn't think it was fair to decline his claim based on an inspection carried out on a previous, complete separate policy. And because of this, he'd had to pay for the repair work himself as he'd been left without heating and hot water. So, he wanted BGIL to refund him this cost.

BGIL thought they'd acted fairly by refunded Mr A and his wife the premiums they had paid for the policies taken out in 2019 and 2020, as they agreed the policies shouldn't have been provided. But as the water tank had been deemed obsolete, they thought they'd acted fairly when declining Mr A's claim. So, they didn't think they needed to do anything more. Mr A remained unhappy with this response, so he asked us to continue with our investigation.

Our investigator looked into the complaint and upheld it. She thought the policies taken out in 2018, 2019 and 2020 were separate, and not continuations. So, she didn't think BGIL were fair to decline Mr A's claim made under the 2020 policy, based on information provided on the 2019 policy. She thought BGIL should've arranged a first visit to check Mr A's boiler and central heating system and if they had, they would've been able to make Mr A aware the hot water tank wouldn't be covered. Instead, an annual service was arranged. And she'd seen the checklist from this visit, which showed the water tank hadn't been checked. So, she didn't think Mr A was to blame for this.

She thought the 2020 policy covered the hot water tank and she explained she would've expected BGIL to progress the claim in line with terms and conditions of the policy. So, she would've expected BGIL to attempt a repair before cancelling it. And they didn't do this. She thought this left Mr A needing to arrange a repair himself and cover the cost of this, which he did. So, she thought BGIL should refund Mr A this cost, plus 8% statutory interest from the date he paid the repair invoice, to the date BGIL provided Mr A with a refund. But she recognised BGIL had already refunded Mr A and his wife their premium costs and so explained BGIL should subtract these amounts from the refund.

Mr A accepted this recommendation. But BGIL didn't. They referred to the terms and conditions which explained a first visit wasn't always required when a policy was taken out. So, they didn't think they'd done anything wrong by arranging an annual service instead. And they thought the terms made it clear that if parts couldn't be found for a repair, a policy may need to be cancelled. So, they thought they'd acted fairly and didn't think they should cover Mr A's repair costs. As BGIL didn't agree, the complaint has been passed to me for a decision.

### **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'm upholding the complaint for broadly the same reasons as the investigator. I've focused my comments on what I think is relevant. If I haven't commented on any specific point, it's because I don't believe it's affected what I think is the right outcome.

Insurers such as BGIL have a duty to handle claims made on policies they provide promptly and fairly. BGIL believe their decision to decline the claim and cancel the policy was fair. Mr A doesn't. So, I've had to consider whether I think BGIL acted in line with the terms of the policy and if I think they have, whether it was fair to do so. And in this situation, I don't think that's the case.

First, I think it's important to consider the three policies Mr A and his wife took out. The policies were taken out as new policies, rather than renewals. So, I don't think Mr A's policy taken out in August 2020 was a continuation of the policies taken out before it. And because of this, I don't think it's fair or reasonable for BGIL to use information included on previous policies to influence the way they handled or decided upon Mr A's claim which was made in October 2020.

I recognise an engineer attended Mr A's property in 2019, and they noted the customer checklist to say the hot water tank wouldn't be covered as obsolete. And I recognise this was also recorded on BGIL's system. But this note was made on a policy in Mr A's wife name, not Mr A's. So, this note was made on an entirely separate policy, with an entirely separate policy holder.

Mr A took out a new policy in August 2020. And this policy covered the hot water tank. I've seen no evidence to show BGIL made Mr A aware the hot water tank wouldn't be covered. I'd have expected them to do so when the policy was taken out, as they've confirmed they had notes which stated this. But they didn't.

And I'd have expected this to have been noticed on the first visit, or if one wasn't arranged, the first annual service during the policy. But I've seen the customer checklist which shows when an engineer attended in September 2020, the hot water tank wasn't inspected. The terms of the policy state a *'first or annual service'* should've been completed on the central heating system. And the terms explain a hot water tank is part of this system.

I'm unable to speculate why this service wasn't carried out on the water tank. But I think it's likely if it had been completed, the same issue would've been noticed. And at this point, Mr A would've been notified the water tank wasn't covered and he'd have had an opportunity to seek cover elsewhere. But as BGIL didn't do this, Mr A wasn't afforded this opportunity.

So, as Mr A wasn't told his water tank wouldn't be covered under the policy after it was taken out in August 2020, I think BGIL had a duty to handle Mr A's claim fairly, in line with the terms of the policy he held. So, I've looked at what his policy does cover, and what BGIL should've done. The policy explains when a central heating system breaks down BGIL will cover *"all repairs to the heat and hot water system on your property"* and *"a replacement of parts of your central heating system if we can't repair them"*. So, I think BGIL should've attempted to repair Mr A's hot water tank and replaced parts if they were unable to be repaired.

But, under the section labelled *'Making Repairs'* I have seen it explains *"If we can't get hold of the parts, we may need to cancel your agreement (or part of it)"*. So, I can understand why BGIL think their decision to decline the claim and cancel the policy was reasonable. But crucially, I don't think it was fair for BGIL to rely on this term without making an attempt to repair the hot water tank first. And they didn't do this. So, I don't think BGIL handled Mr A's claim fairly.

### **Putting things right**

As I don't think BGIL handled Mr A's claim fairly, I've thought about what BGIL should reasonably do compensate Mr A. And any direction I make is intended to place Mr A back in the situation he would've been, had BGIL not made an error.

In this situation, I would've expected BGIL to have attempted to repair the leak to Mr A's hot water tank. Mr A has confirmed he arranged for the repairs to be completed himself, which resolved the issue and stopped the leak. And I think BGIL's failure to attempt a repair resulted in Mr A having to do this himself, and the costs he incurred. So, I think BGIL should refund Mr A the cost of the repair. And I think BGIL should pay Mr A 8% statutory interest on this refund amount, from the date Mr A paid the invoice to the date of settlement.

But I am aware BGIL have already refunded Mr A the cost of his premiums for the policy that was incepted in August 2020 and the previous policy held by Mr A's wife, in September 2019. As I'm asking BGIL to cover the cost of the repair, I don't think it would be fair for me to ask them to do this and Mr A not pay for the cost of the policy cover. And I think Mr A received the benefit of his boiler being serviced in 2019, through the separate policy taken out by his wife. So, in order to place Mr A back in the position he would've been in, and not be left in a better situation as this is something I'm unable to do, I think BGIL are able to subtract the amount they've already refunded Mr A and his wife from the refund I'm directing them to pay to cover the cost of the repairs.

### **My final decision**

For the reasons outlined above, I'm upholding Mr A's complaint and I direct British Gas Insurance Limited to take the following action:

- Reimburse Mr A the cost of the repair work needed to fix the leak to his hot water tank, less the refund BGIL have already provided for the policy premiums; and
- Pay 8% statutory interest on this amount from the date Mr A paid the invoice for the work to the date of settlement.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr A to accept or reject my decision before 5 July 2021.

Josh Haskey  
**Ombudsman**