

## **The complaint**

Mrs R complains that Great Lakes Insurance SE UK Branch (Great Lakes) cancelled her Home Emergency Policy following a fault with her boiler, refusing to pay towards replacing it and causing a delay.

## **What happened**

Mrs R's policy with Great Lakes provided for an annual service and repairs to her central heating boiler. The boiler was serviced on 7 June 2019. On 20 June 2019 it broke down. There was a problem arranging an appointment and a different engineer attended. Mrs R paid a £50 excess for the call out. The boiler had to be disconnected leaving Mrs R without heating and hot water. The boiler was deemed beyond economic repair (BER).

The policy provided for a BER contribution of £500 towards the cost of a replacement boiler, less any premiums due, subject to certain conditions. But Great Lakes said it wouldn't pay this and that it would cancel the policy. Mrs R complained.

Great Lakes said the damage to the boiler was pre-existing at the start of the policy in May 2019 and couldn't have occurred within 13 days of the service, so it wasn't covered. It said had the engineer noticed the pre-existing damage during the service, it would have cancelled the policy and refunded the premium at the time. Great Lakes cancelled the policy and refunded £52.77 to Mrs R, which she says was three months premiums. It also refunded the £50 excess charged for the call out. However, it accepted there had been a delay and paid £50 compensation for this.

Mrs R referred her complaint to our service and our investigator upheld it.

Our investigator said Great Lakes argument about pre-existing faults or damage wasn't reasonable as the engineer hadn't noticed anything was wrong with the boiler only a few days earlier. She said Great Lakes should re-instate the policy, pay the BER contribution and a further £200 for the distress and inconvenience caused by delays and uncertainty.

Great Lakes referred to pre-existing damage clauses in the policy. It said paying additional compensation wasn't reasonable as if it hadn't been for the engineer's mistake, the policy would have been cancelled after the annual service.

Our investigator said as it hadn't been reasonable to cancel the policy, it was fair to compensate Mrs R for the delay and uncertainty this had caused. Mrs R said she now realised that the policy had been taken out in 2018 and had renewed in May 2019. As Great Lakes doesn't agree it has come to me to 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 am upholding the complaint.

Great Lakes says Mrs R's boiler had pre-existing damage "*at the start date of your policy (03/05/19)*". And had the service engineer noticed this it would have refused to cover the boiler and cancelled the policy. It says any existing damage before the start date or that occurs shortly after isn't covered. It also says an existing policy could be cancelled if certain issues were detected at the annual service.

As the engineer who serviced the boiler didn't report any issues with it, I don't think it is reasonable for Great Lakes to argue it can cancel the policy even if its engineer did make a mistake.

Great Lakes says that General Exclusion number 33 in the policy – "*Any loss or damage that occurred prior to inception*" was applicable. It asked whether we could "*conclusively confirm that the damage occurred during the time from policy inception to breakdown*" as such damage "*cannot happen in a short period but over many months*".

Great Lakes appears to make these further points about pre-existing damage on the basis the policy "*start date*" was May 2019, as suggested in its final response. Rather than it being renewed then as Mrs R says. So, I asked it when the policy was originally taken out and to confirm the premiums payable. It said the policy started in 2018 and was renewed in 2019. It didn't confirm what the premiums were.

As the start date was May 2018 the BER breakdown occurred around 14 months rather than a few weeks after the policy was first taken out. And 13 days after the boiler was serviced without comment. So, I don't think these further arguments about when the damage occurred are reasonable here.

The policy also has a section about what is not covered:

- any boiler that was eleven or more years old when you took out this policy for the first time ...*
- a breakdown which happens before the policy starts or within 14 days of taking out this policy for the first time."*

But any boiler that isn't brand new is going to have some degree of wear or damage. And Great Lakes reduces its exposure to older boilers with the "*eleven or more years old*" clause for new policies noted above. Both engineers who attended said the boiler was around 10 years old. And it didn't breakdown within 14 days of the policy first being taken out.

The policy document does say the policy can be cancelled:

*"If during the annual service the contractor advises us that it is no longer possible to service the boiler or source genuine, new replacement parts, we will be unable to continue to offer cover, your policy will be cancelled and a proportionate refund will be allowed."*

Mrs R's boiler was serviced, and the contractor didn't advise this. And I haven't seen any other evidence to suggest the conditions for this clause to apply, such as a lack of parts, have been met.

The boiler was less than eleven years old and Great Lakes renewed the policy, serviced the boiler without comment and didn't cancel the cover under the above clause. So, I don't think it was fair to cancel the policy instead of paying the BER contribution when the breakdown occurred.

I think Great Lakes should pay Mrs R the £500 BER contribution provided for in the policy less the premium due. The premium to be deducted appears to be £211.08. Interest should be added to the net amount payable to Mrs R at 8% a year simple, from the date the policy was cancelled.

Unfairly cancelling the policy caused uncertainty for Mrs R and delayed her replacing the boiler. I think this caused her unnecessary trouble and upset and I think it is fair and reasonable for Great Lakes to pay a further £200 in compensation in respect of this.

### **My final decision**

My final decision is that I uphold the complaint against Great Lakes Insurance SE UK Branch.

I direct Great Lakes Insurance SE UK Branch to pay the BER contribution of £500 less the premium payable under the policy with interest added at 8% a year simple on the net amount. It should pay a further £200 in compensation for the trouble and upset caused.

Great Lakes Insurance SE UK Branch must pay the compensation within 28 days of the date on which we tell it accepts my final decision. If it pays later than this it must also pay interest on the compensation from the date of my final decision to the date of payment at 8% a year simple.

If Great Lakes Insurance SE UK Branch considers that it's required by HM Revenue & Customs to deduct income tax from that interest, it should tell how much it's taken off. It should also give a certificate showing this if Mrs R asks for one, so she can reclaim the tax from HM Revenue & Customs if appropriate.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs R to accept or reject my decision before 18 March 2021.

Nigel Bracken  
**Ombudsman**