

The complaint

A company, which I'll refer to as S, complains British Gas Insurance Limited reduced the level of cover under a home emergency policy without telling it and mis-diagnosed a fault with the boiler. Mr L, who is a director of S, brings the complaint on S's behalf.

What happened

Mr L says he and his wife bought a house previously owned by their daughter through S, a limited company, in 2018 which they then rented out.

Mr L's daughter had had a policy with British Gas when she owned the house. British Gas' records show she had a British Gas power flush in October 2015.

Mr L and Mrs L wanted their daughter's policy transferred to them but say British Gas told them they needed a new policy. Mr L took a new policy out in February 2020 (it seems his daughter's policy had continued until then). His cover included the boiler, controls and central heating on a service and repair basis.

On 10 April 2020, British Gas was called out because Mr L's tenants had no hot water. From British Gas' job history records, the engineer said the "*boiler tested ok*". He said he repressured the vessel but noted the water quality was "*very poor*". His notes also say the system had heavy sludge and he advised and quoted for a power flush.

On 16 April 2020, British Gas was called again because the tenants had no hot water. From British Gas' job history records, the same engineer came out. He noted "*normal operation*" but said there was air in the system. And again he said a power flush was needed because of "*poor circulation*".

Mr L wasn't at the house for either of these call-outs – only the tenants were there.

Mr L then got two letters from British Gas, both dated 16 April 2020. The first was headed "*Here's our quote for your home improvement*" and gave a fixed price quote of £800 for a power flush which Mr L had 28 days to accept. The second was headed "*There's still time to book your home improvement*". This letter didn't mention a power flush but said British Gas had recently given a quote for a home improvement which would last for another 14 days from the date of the letter.

On 18 April 2020, British Gas sent Mr L another letter thanking him for choosing a "*Gas Appliance Check*". It showed he had cover for this type of check (as well as some other cover Mr L had taken out with the boiler cover in February 2020).

On 8 May 2020, British Gas says Mr L called to ask about its 18 April letter. It says it told Mr L his policy had been downgraded because the boiler had failed its first visit and needed a power flush. British Gas says it also told Mr L the department dealing with power flushes was closed (presumably due to the Covid-19 lockdown).

On 14 May 2020, Mr L contacted British Gas because his tenants had no hot water again.

British Gas refused to come out, saying Mr L no longer had a maintenance contract because his policy had been downgraded. He was given the same information about the department dealing with power flushes being closed.

So Mr L arranged for an independent engineer to come in. This engineer said the micro switch on the boiler was faulty. Mr L says the engineer quoted £830 to replace the switch but recommended the boiler should be replaced. Mr L did this (and included a power flush in the work that was done), at a cost of £2,000.

Mr L complained to British Gas. He's said if he'd been able to continue with his daughter's policy, a future power flush would've been included in the cover. He's questioned whether a power flush was necessary anyway, given (a) his independent engineer's findings and (b) the power flush previously done by British Gas. And Mr L also complains British Gas downgraded his cover without telling him.

British Gas offered Mr L £50 as a gesture of goodwill for the poor service and communication he'd had with the letters it sent. But it said its engineer had explained everything to Mr L's tenants and expected them to pass the information on. British Gas also said that, because of the Covid-19 restrictions, its heating upgrades and chargeable work (which is what it would've classed the power flush as) were on hold.

Unhappy with this outcome, Mr L brought his complaint to us. The investigator who looked at it upheld it. She thought the service Mr L had received – particularly between 8 and 14 May when Mr L had tried to arrange the power flush – was extremely poor. She recommended British Gas pay Mr L an extra £150 (in addition to the £50 it has already offered) in compensation for the distress and inconvenience this had caused him.

British Gas disagreed. It said while it understood there was "*some confusion around the cover*", had Mr L questioned this when he got the letter the problems would've been "*avoided*". British Gas said the downgrade in cover would've been explained to Mr L's tenants and it was his responsibility to get this information from them. And it said that while there were delays in telling Mr L the power flush couldn't be carried out, we at this service didn't have the power to look into this part of his complaint.

So Mr L's complaint came to me to decide. On 26 April 2021, I issued a decision on Mr L's complaint in which I explained that I intended to uphold it. But, because some of my reasons for doing so differed from those our investigator gave, I issued a provisional (rather than a final) decision.

Mr L on behalf of S says he has nothing to add to my provisional decision. British Gas says the same but reiterates some points it's made before.

Mr L's complaint has now come to me for a final 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, and for the reasons I gave in my provisional decision, I've decided to uphold Mr L's complaint. In that decision, I said I'd look at what I thought were the three main aspects of Mr L's complaint, as follows.

"Did British Gas act fairly in requiring Mr L to enter into a new insurance contract?"

Mr L says if he'd been able to continue the cover his daughter had, a further power flush

would've been included in his cover. I think he says this because, under the terms of his policy, if Mr L bought a British Gas Power Flush, any future ones he might've needed to keep his system working properly would've been included, for as long as he had continuous cover for his boiler with British Gas.

Assuming Mr L's daughter's policy had the same term, I can see Mr L's point. But legal ownership in the property changed when Mr L's daughter sold the property to S. In these circumstances I don't think it was unfair or unreasonable of British Gas to require Mr L to enter into a new contract of insurance with it.

Did British Gas properly diagnose the problem with the boiler?

Mr L says, because his daughter had a power flush done in 2015 and had a filter fitted, this "should've meant another power flush was unnecessary". And he says his independent engineer subsequently said the problem with the hot water was a faulty microswitch.

The power flush Mr L's daughter had had done took place almost five years earlier. I've seen no expert evidence to say a boiler and central heating system that's been power flushed once and been fitted with a filter shouldn't need another power flush. So I'm not persuaded by Mr L's argument here. But if he has any expert evidence to back up what he says, I'd be grateful if he could let me see it and I'll look at this point again.

In diagnosing the fault with Mr L's boiler, I'd expect British Gas to take such steps as are most likely to identify the cause with the least disruption. And I'm mindful that even the most skilled and experienced people won't necessarily be able to fix all problems straightaway. I've already quoted from the notes British Gas' engineer made on his visits on 10 and 16 April. On the first visit, he says he re-pressured the vessel; on the second, he notes there was air in the system. And in both he refers to a power flush being needed. I've assumed that, after both visits, Mr L's tenants had hot water again for a while (but if I'm wrong about this, I'd be grateful if Mr L could let me know).

Around a month or so after these visits by British Gas (and having had the hot water fail again), Mr L says his independent engineer diagnosed a different fault with the boiler. Our investigator has asked Mr L for a copy of his independent engineer's initial report of the fault and the cost of the work he recommended. Mr L sent us the engineer's invoice for replacing the boiler (which included a power flush). But, so far, we haven't seen a formal report identifying what Mr L's independent engineer thought the fault was and the action he recommended.

So, based on the information I've got, I can't say British Gas has acted unfairly or unreasonably in relying on its engineer's findings in diagnosing the fault with the boiler at the time. But, again, if Mr L has information he thinks shows otherwise, I'd be grateful if he could send it to me and I'll reconsider this point.

Did British Gas communicate the downgrading of the policy clearly?

British Gas accepts its letters to Mr L about the policy downgrade could've been clearer. But it says he should've asked his tenants about what its engineer had said on his visits. And it says if Mr L had responded to its letter about the policy downgrade "this would all have been avoided". It's for this reason it thinks the £50 it has offered in compensation is fair and reasonable.

I don't agree. Mr L's policy included what's called a first service. This is a check British Gas does to confirm it can cover the boiler and controls or central heating. Mr L's policy says this check is usually carried out within 42 days of cover being taken out. It says an engineer will

check (a) the boiler is on British Gas' approved list and (b) the boiler or central heating don't have any pre-existing faults. If they do have faults, it says British Gas will either tell its customer (a) what needs to be done to get the problem fixed, and how much it will cost, or (b) offer a different product or level of cover, or (c) cancel the agreement.

Mr L's first service wasn't carried out within the usual 42 days (quite probably because of Covid-19 lockdown restrictions). It was carried out as part of the call-out for the boiler repair on 10 April. From what I've seen so far, I don't think it's likely Mr L would've known British Gas was also assessing whether it would cover his boiler as part of this call-out.

British Gas says its engineer explained everything to Mr L's tenants but of course there's no record of what the engineer said. Mr L says English wasn't his tenants' first language and they've now left the property so we can't ask them what they remember.

In any case, in downgrading the cover, British Gas was making a significant change to Mr L's level of cover. And I think it was under a duty to communicate that change clearly to Mr L, as the policyholder. From the information I've seen so far, it didn't do that. Telling Mr L's tenants isn't enough in these circumstances. British Gas' letters to Mr L of 16 April refer to a quote for a home improvement but (confusingly) give different timescales for accepting the quote, while its letter of 18 April simply refers to a different product it offers. I don't think there's anything in these three letters (or anything else I've seen so far) making it clear to Mr L his cover would be downgraded from that he bought in February 2020. Nor is there anything to explain the background to the "home improvement" British Gas is recommending and how it fits in with things.

I should also say that, looking at Mr L's policy wording about the first service, I think British Gas was entitled either to tell Mr L what needed to be done to fix the fault, or change his level of cover, or cancel his agreement. It looks to me as if, in sending the "home improvement" letters, British Gas was attempting (and in my view not clearly) to tell Mr L what he needed to have done to fix the fault. But, within only two days (with its letter of 18 April), it was also telling him it was downgrading his cover – having given him (in the 16 April letters) either 28 or 14 days (depending on which you read) to accept the quote. I don't think the policy terms say cover can be downgraded before a policyholder has a reasonable chance to fix a fault.

And even if I'm wrong about the policy terms, in the particular circumstances here, I don't think British Gas acted fairly and reasonably in downgrading Mr L's cover. In early May 2020, Mr L tried to arrange a power flush but was told the relevant department was closed, presumably due to the Covid-19 lockdown. I can't see that outcome would've been any different had Mr L contacted British Gas in late April, since the UK was already in lockdown then. So Mr L found himself in a position where British Gas had told him what work it would need to carry out to get his cover back on its original footing – but then also told him it couldn't do that work. Knowing it couldn't carry out the work it was recommending because of the lockdown, I don't think British Gas should've downgraded Mr L's cover at the time it did.

It's clear to me Mr L has had significant distress and inconvenience because of the actions British Gas took. I think the letters British Gas sent made it very difficult for Mr L to work out what was going on. It seems Mr L was shocked when British Gas did finally make it clear in a phone call in early May that he didn't have the cover he thought he had, and I can understand why. He was clearly bemused at times being told British Gas couldn't do the work it said he needed to be put back on cover. In these circumstances, I intend to award Mr L £150 for the distress and inconvenience he's been caused. This is in addition to the £50 British Gas has already offered him and to the discount of £47.16 which I believe it applied to the premium for the reduced cover Mr L got.

British Gas says we at this service don't have the power to look into the delays Mr L experienced in May 2020. But I don't think that issue is relevant here because I think British Gas didn't act fairly and reasonably in downgrading Mr L's cover when it did. And the compensation I intend to award is connected to that failing and the distress and inconvenience Mr L was caused because of it."

As I've already mentioned, Mr L on behalf of S says he doesn't have anything to add to my provisional decision and British Gas says the same. But British Gas does reiterate its view that *"that if you have an insurance policy in place, and receive a letter downgrading the cover, the first thing you would do, if unsure why, would be to contact the insurer and question why this has happened. There is onus on the policyholder, as well as the insurer, to check the cover is adequate and suitable for their needs."*

It says that while it understands *"there's has been some confusion caused around the cover, had this been questioned by Mr L when he received the letter, then this would have all been avoided."* It also says the downgrade in cover would also have been explained to the responsible adult present at the time of the visit and it believes it was Mr L's responsibility to get this information from his tenants. British Gas also says Mr L was told on 8 May 2020, when he called one of its advisors that the cover was downgraded as the boiler had failed the first visit due to sludge in the system.

None of the views British Gas has expressed in response to my provisional decision are new. And, in that decision, I gave my reasons why I wasn't persuaded by British Gas' views. I've seen nothing since to make me think I should change the findings I made in my provisional decision, which now form part of this final decision.

Putting things right

I direct British Gas Home Insurance Limited to put things right as I set out below

My final decision

For the reasons I've given, I uphold Mr L's complaint on behalf of S and direct British Gas Insurance Limited to pay Mr L an additional £150 (on top of the £50 it has already offered him and the discount of £47.16, which I believe it applied to the premium for the reduced cover Mr L got) for the distress and inconvenience it's caused him. British Gas should pay this sum within 28 days of the date on which we tell it Mr L on behalf of S has accepted my final decision. If it doesn't, it should pay interest on this sum at the rate of 8% simple for the date of my final decision to the date of payment.

Under the rules of the Financial Ombudsman Service, I'm required to ask S to accept or reject my decision before 10 June 2021.

Jane Gallacher

Ombudsman