

The complaint

Mrs W complains that U K Insurance Limited should meet her claim on a home insurance policy.

What happened

Mrs W had a home insurance policy. It had a buildings section and a home emergency section.

UKI was the insurer responsible for dealing with claims. Where I refer to UKI, I include claims-handlers and others for whose actions I hold UKI responsible.

In November 2020, Mrs W had a new central heating boiler installed. In early January 2021, the boiler lost water pressure. Mrs W and her husband were left with no central heating or hot water.

A home emergency plumber said there was a leak from a central heating pipe under the solid floor of the hallway to kitchen area. There was an option to trace the leak and to dig up the floor to get access for a repair. Another option was to install new pipe on a different route above floor level.

Mrs W asked UKI if it would pay for such re-routing. At first, UKI said it would cover those costs and Mrs W should send it the invoice. But it then said it wouldn't cover such costs because the leak hadn't caused any damage.

Mrs W had already booked her plumber. And she needed to get the central heating back on. She says the re-routing cost over £2,000.00.

Mrs W first contacted us in mid-January 2021. By a final response dated 20 January 2021, UKI said it was paying £175.00 compensation.

our investigator's opinion

Our investigator didn't recommend that the complaint should be upheld. He thought that UKI initially gave false information by mistake. He thought that the compensation was a fair amount and in line with what we would award for this kind of error.

my (first) provisional decision

After considering all the evidence, I issued a provisional decision on this complaint to Mrs W and to UKI on 29 March 2021. I summarise my findings:

UKI should've told Mrs W how much of the £500.00 home emergency limit had been used up – and how much was still available to meet the central heating emergency.

Subject to any further information from Mrs W or from UKI, my provisional decision was to uphold this complaint in part. I intended to direct U K Insurance Limited to:

1. tell Mrs W its outlay on the home emergency in January 2021; and
2. pay her the balance between that outlay and the limit of £500.00; and
3. pay her simple interest on that balance at the yearly rate of 8% from 18 January 2021 to the date of payment. If UKI considers that it's required by HM Revenue & Customs to take off income tax from that interest, it should tell Mrs W how much it's taken off. It should also give her a certificate showing this if she asks for one, so she can reclaim the tax from HM Revenue & Customs if appropriate.

my (second) provisional decision

After considering all the evidence, I issued a second provisional decision on this complaint to Mrs W and to UKI on 4 May 2021. I summarise my findings:

UKI had told us that its outlay on the home emergency in January 2021 was £194.95.

The balance between that and the limit of £500.00 is £305.05.

Subject to any further information from Mrs W or from UKI, my provisional decision was to uphold this complaint in part. I intended to direct U K Insurance Limited to pay Mrs W:

1. £305.05 towards her costs of resolving the home central heating emergency; and
2. simple interest on £305.05 at the yearly rate of 8% from 18 January 2021 to the date of payment. If UKI considers that it's required by HM Revenue & Customs to take off income tax from that interest, it should tell Mrs W how much it's taken off. It should also give her a certificate showing this if she asks for one, so she can reclaim the tax from HM Revenue & Customs if appropriate.

Mrs W agreed with the (second) provisional decision. But she says, in summary, that:

- She may have preferred re-routing for many reasons, but 2 people reviewing her claim / initial complaint immediately just before work was done told her quite definitely that she didn't qualify for the track and trace option on her 5 star policy which should have covered most things. The only option was the home emergency, who didn't fix anything.
- The pipe was underground so little choice. She was told initially that home emergency had to come, before any track and trace would be considered even though it wouldn't have been within £500.00 cost to access & repair everything, she had spoken on one of the calls and asked to send trace and access and save cost of home emergency but that wasn't allowed. Then the decision was not to cover trace and access so the money they spent on initial home emergency call out was a waste of their money.
- She and her husband paid what they had to to get warm and hot water.

UKI doesn't agree with the (second) provisional decision. It says, in summary, that:

- The Home Emergency section page 30 of the policy booklet says;

*“X We won't pay:
* to replace your main source of heating”*

- In its opinion, the extra works required to get the heating working again fall within this exclusion.
- The works required were extensive and fall outside the £500.00 policy limit.

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.

From UKI's file, I see that the policy was renewed for a year from April 2019.

I've seen policy booklets with the references CHHE PB 0916 and CHHE PB 0319. I've also seen a mention of a policy booklet with the reference CHHE PB 0120. I conclude that the numbers are dates of publication. So the policy booklet with the reference 0319 was published in March 2019 and applied from the policy renewal in April 2019.

The policy terms contained a definition of “**buildings**” which included “*pipes and cables*”.

In response to the second provisional decision, UKI has pointed out that the home emergency section has the following exclusion:

*“X We won't pay:
...
* to replace your main source of heating”*

But the policy terms contain a definition of “*main source of heating*” as follows:

“Main source of heating (section 5) The main hot water or central heating system in your home including:

- *one domestic boiler*
- *any controls forming part of the boiler*
- *the programmer, central heating pump, hot water cylinder, room thermostat and radiators.*

***X X*But not:**

- *any form of underfloor heating, solar heating system or warm-air heating system*
- *any non-domestic boiler and associated system*
- *any boiler with an output of over 70kw*
- *any secondary or other boiler*
- *oil-fired and solid fuel systems*
- *open fires*
- *solar heating or air-conditioning units.”*

So the “*main source of heating*” means the whole of any central heating system (subject to the exclusions such as underfloor heating). Therefore the exclusion that UKI wouldn't pay to replace the main source of heating meant that it wouldn't pay to replace the whole central heating system. The exclusion didn't mean that UKI wouldn't pay to replace part of the central heating system.

The home emergency section included cover for a central heating emergency. But that was subject to a limit of £500.00.

The buildings section had a much higher limit. It also included the following terms:

“Your buildings are covered for loss or damage caused by

...

✓ XWater or oil escaping from fixed water or heating systems

We also cover water or oil escaping from:

- underground drains and pipes*
- domestic appliances*
- storage tanks.*

...

XX We don't cover:

...

- tanks, pipes, appliances or heating systems themselves*
- costs to remove and replace any part of the **buildings** to find and repair the source of any water or oil leaks. However, **you** may have cover under the Trace and Access section below*

...

✓ XTrace and Access

We will also pay up to £10,000 to remove and replace any part of the **buildings** to:

- find the source of any water or oil escaping from tanks, pipes, appliances or fixed heating systems that is causing damage to the **buildings**”*

I accept that the central heating pipe under the floor was damaged. But I find that the damaged pipe caused the escape of water. I don't find that the escape of water caused the damaged pipe. And - from the photographs and from what the plumber said – I find that the escape of water from the pipe was stopped before it caused any damage to the floor coverings or to the floor.

So I don't find that the escape of water caused damage to the pipe or to any other part of the buildings.

From what she's said, I find that Mrs W didn't want any digging to remove part of the floor in the hallway to kitchen area to trace and access the leak. She preferred the alternative of cutting-off the leaking pipe and installing new pipework to the ground-floor radiators.

That alternative was a long way short of replacing the whole central heating system. For example, there was no need to replace the new central heating boiler. So UKI is clearly incorrect in its recent suggestion that the extra works required to get the heating working again fall within the exclusion of the replacement of the main source of heating.

The cost of the alternative of installing new pipework was beyond the home emergency limit of £500.00. And that alternative wasn't an exercise in finding the source of the leak. So the buildings section of the policy didn't cover that alternative. UKI was wrong to tell Mrs W it did. But that mistake doesn't change the terms of the policy.

I've thought about the mistake and the impact it had on Mrs W. I consider that she did have a short opportunity to cancel her plumber for the next day. So I don't find that the mistake caused her any financial loss. But I don't doubt that she was upset when UKI said it had made a mistake.

I've thought about how much compensation I would've found fair and reasonable for the distress and inconvenience the mistake caused – if UKI hadn't made its payment of £175.00. I've concluded that I would've awarded £175.00 or slightly less. So I'm satisfied that UKI's

payment was fair and reasonable.

However, I don't agree that – when UKI said it wouldn't cover the costs of re-routing – the emergency had already been resolved. The emergency plumber had resolved the escape of water – but he hadn't resolved the lack of central heating and hot water. So I consider that Mrs W still had a home central heating emergency.

Therefore I find that UKI should've told Mrs W how much of the £500.00 home emergency limit had been used up – and how much was still available to meet the central heating emergency. I consider that UKI should've contributed that balance towards Mrs W's costs of instructing her plumber to do the re-routing.

Putting things right

As it has told us that its outlay on the home emergency in January 2021 was £194.95 (and as the balance between that and the limit of £500.00 is £305.05) I find it fair and reasonable to direct UKI to pay Mrs W £305.05.

As she's been out of pocket since about 18 January 2021, I will direct UKI to add interest at our usual rate.

My final decision

For the reasons I've explained, my final decision is that I uphold this complaint in part. I direct U K Insurance Limited to pay Mrs W:

1. £305.05 towards her costs of resolving the home central heating emergency; and
2. simple interest on £305.05 at the yearly rate of 8% from 18 January 2021 to the date of payment. If UKI considers that it's required by HM Revenue & Customs to take off income tax from that interest, it should tell Mrs W how much it's taken off. It should also give her a certificate showing this if she 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 W to accept or reject my decision before 24 June 2021.

Christopher Gilbert
Ombudsman