

The complaint

Mrs and Mr S complain that British Gas Insurance Limited (BG) declined a claim in respect of their boiler and then cancelled their home emergency policy.

What happened

Mrs and Mr S's policy provided cover for repairs and replacement of their boiler but not annual servicing. It broke down in December 2019. BG said it couldn't be repaired as parts were no longer available and it should be replaced. Mrs and Mr S say BG said it would fit the part for them if they could locate it. They say the part was available for £700, but BG then said it shouldn't have covered the boiler at all. It cancelled the policy and refunded their premium. Mrs and Mr S decided to replace their boiler rather than repair it.

Mrs and Mr S complained to BG and say it offered £50 compensation for the inconvenience, which they declined. BG said it would need some time to investigate and it wouldn't be able to respond within eight weeks. BG says it called Mrs and Mr S about their complaint, but say that Mrs S refused to discuss it, so it emailed to say it would close the complaint.

Mrs and Mr S referred their complaint to our service saying BG should pay the cost of replacing the boiler, compensation for the inconvenience and for being rude on the telephone.

Our investigator looked into it, but he didn't uphold the complaint.

Our investigator said the policy terms and conditions (T&C's) did provide for it to be cancelled if parts became unavailable. He said the policy didn't cover replacement if the boiler was more than seven years old and it appeared to have been installed in 1999. So, BG had been right to decline the claim and had acted fairly in cancelling the policy and refunding the premiums. He said BG had apologised for the inconvenience even though it hadn't accepted the complaint and records of telephone conversations were no longer available.

Mrs and Mr S said the boiler was installed in 2012/13 and was less than seven years old. BG said the system was installed in 1999 and the boiler itself in 2008. It said it had carried out repairs in 2014 and twice in 2015, when it advised the boiler should be replaced. BG said the boiler didn't appear to have been serviced or maintained since then. Our investigator said his view hadn't changed and he didn't uphold the complaint.

As Mrs and Mr S don't agree it has come to me to decide.

My provisional decision

I issued my provision decision on 19 April 2021, I explained the reasons why I was planning to uphold the complaint. I said:

I've considered all the available evidence and arguments to decide (provisionally) what's fair and reasonable in the circumstances of this complaint. Having done so, I'm planning to

uphold the complaint, but I'm not thinking of telling BG to pay for the replacement of the boiler.

I've carefully considered whether it was fair that BG cancelled the policy or, whether it should have repaired or replaced the boiler instead. Based on the evidence so far, I don't think it would be reasonable to tell BG it should pay for the replacement of the boiler. However, at this stage I don't think the policy has been cancelled fairly because I think Mrs and Mr S are due a further refund of premiums.

Cancellation

BG says it didn't provide cover for this boiler at all, so it was right to cancel the policy. BG's notes record:

"Gas Parts advised we do not cover the boiler AT ALL so we should cancel the cover and refund the customer all premiums paid."

The T&C's of the policy refer to an "approved list" and say that if a boiler isn't on it the policy can be cancelled and premiums refunded. There was some confusion about whether a first service should have been carried out on the boiler. Had it been, BG say it would have told Mrs and Mr S it didn't cover the boiler and cancelled the policy.

But the type of policy held by Mrs and Mr S didn't provide a service. And it wasn't a new policy, having been in place since 2012. BG had made repairs previously and the renewal documents issued in November 2018 note the make and model of the boiler.

The renewal schedule also said:

"Important information – servicing your boiler

- *Our records show that your boiler is*
- *At the moment this isn't on the list of boilers we currently service*
- *Please give us a call to discuss whether we can service your boiler and any other options we can offer you"*

I asked BG why it didn't cover the boiler for servicing and from when. Because with BG's "Gas Parts" department saying the boiler wasn't covered "AT ALL", there might be an issue with parts availability as well as servicing. If parts aren't available, BG usually refers to an appliance as being on a "reduced service listing" (RSL).

Once a boiler is on the RSL it is less likely that it can be repaired, so I think this is important information for the policyholder to be aware of when they consider whether the policy is appropriate for their needs.

The T&C's of the policy seem to reflect this as they say if parts aren't available:

*"And, we haven't told you before that we may not be able to find them we'll refund any money you have paid for these **products** since your last claim, up to a maximum of three years."*

The 2019 renewal schedule didn't make any mention of problems obtaining parts. If BG hadn't told Mrs and Mr S about this before, they might be due a further refund of premiums, assuming it was fair to cancel the policy.

BG replied that the boiler was not on its approved list for either servicing or repair, and it shouldn't have offered the policy, which is why it cancelled it. It said it was "unable to establish" when the boiler was removed from the service and repair list. But as it hadn't issued any warning until the 2019 renewal, it would have repaired the boiler before this, subject to parts being available.

However, Mrs and Mr S understood that they had cover in place. And I can understand their frustration that BG only said it wouldn't cover the boiler once they'd tried to claim after paying premiums for several years.

So, I've considered whether under the terms of the policy the boiler should have been repaired or replaced if it had been on BG's approved list. I don't think it would have been, I'll explain why.

Repair and Replacement

The policy provides for repairs or if these can't be made, replacement of the boiler provided it is less than seven years old. If parts can't be obtained and the boiler is more than seven years old the T&C's say BG can cancel the policy and refund the premiums.

There is disagreement about both aspects here.

Parts Availability

BG says the necessary parts weren't available. Mrs and Mr S say they were at a cost of £700 and BG's system notes do refer to a conversation about parts. BG also says that other work, like flushing the system, was needed which wasn't covered by the policy in any case. Mrs and Mr S decided to replace rather than repair the boiler which cost around £1,900. I can see that BG not being available to install parts for them would have influenced their decision over replacing the boiler.

Parts availability does tend to reduce the older a boiler is. The manufacturer of this boiler withdrew from the UK market some years ago, apparently further reducing parts availability. BG says that it only sources new parts from approved suppliers. As it guarantees its work this doesn't seem unreasonable. And as there isn't any other evidence that the necessary parts were available, I can't say that BG has acted unreasonably in saying parts weren't available.

And, the policy T&C's do allow BG to cancel the policy and refund the premium if parts aren't available.

The Age of the Boiler

BG says the boiler was installed in 2008, Mrs and Mr S that it was 2012, so it may have been less than seven years old in December 2019, when it broke down. The T&C's say that if the boiler's age is disputed, either an original receipt or dated guarantee can be provided as proof of when it was first installed. I don't think this is unreasonable and Mrs and Mr S haven't provided any further evidence so far to show it was less than seven years old.

I note that BG undertook significant repairs in January 2014 and in 2015, when it recommended replacement. I think such repairs and recommendations would be unusual if the boiler was only two or three years old at that point. So, at present, I think it is more likely than not that the boiler was more than seven years old in December 2019.

If it was, the policy didn't provide for the boiler to be replaced even if it had been on the approved list. And, it wouldn't be reasonable for me to tell BG to meet the cost of replacing it now.

The refund of premiums

I'm surprised that BG doesn't know when it stopped providing cover for the boiler. The 2019 renewal refers only to a limitation on servicing – which wasn't provided for in any case, not repairs or parts.

BG says it hadn't advised Mrs and Mr S about limitations on their cover previously and would have carried out repairs if parts were available 2019. And it hasn't said why the boiler couldn't be serviced. If it was because routine service parts were no longer available in November 2018 (when the 2019 renewal was issued), I think it's likely that other parts would have become unavailable before this date. This would reduce the chance of successful repairs being made. So, it's possible that Mrs and Mr S were paying for a policy offering limited or even no cover for some years without being made aware of it.

So, at this stage I think it's reasonable that a further refund of premiums is due to Mrs and Mr S. The policy provides for up to three years premiums to be refunded and so far, only the premiums paid in 2019 have been. But it isn't clear what the policy covered in the years between 2015, when the last claim was made and it being renewed, when BG say it shouldn't have been, in January 2019.

So, I think it's fair that premiums be refunded for the three years before the policy renewed in January 2019, the years 2016, 2017 and 2018. Interest at 8% simple per year should be added to these premiums.

I think Mrs and Mr S have suffered trouble and upset due to what has happened. BG originally offered £50 compensation for the inconvenience which Mrs and Mr S rejected. Taking everything into account I think this should be increased to £75.

Response to provisional decision

Mrs and Mr S said they accepted my provisional decision.

BG said it was happy with my provisional 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've decided to uphold the complaint.

I don't think the terms of the policy provided for the boiler to be replaced in the circumstances here as it was most likely more than seven years old when it broke down and the availability of the parts needed to make a repair was limited.

But I also think it's clear that problems obtaining spare parts reduced the cover provided by the policy. Mrs and Mr S hadn't been made aware of this. I don't think this was reasonable because it meant they didn't have enough information to decide whether the policy offered what they wanted. Had they been made aware, they may have decided against renewing the policy. And it isn't clear when parts availability became a problem, meaning the policy may have offered only limited cover for several years.

I think to fairly resolve this complaint BG should refund the premiums Mrs and Mr S paid for the 2016, 2017 and 2018 policy years with interest at 8% per year simple added. I think Mrs and Mr S have suffered some trouble and upset as a result of what has happened, and BG should also pay them £75 in compensation

My final decision

For the reasons I've given above and in my provisional decision, my final decision is that I uphold this complaint against British Gas Insurance Limited.

I direct British Gas Insurance Limited to resolve Mrs and Mr S's complaint by refunding the premiums paid in the three policy years before January 2019. Interest at 8% per year simple should be added to the premiums. British Gas Insurance Limited should also pay £75 compensation for Mrs and Mr S's trouble and upset.

British Gas Insurance Limited must pay the compensation within 28 days of the date on which we tell it Mrs and Mr S accept 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 British Gas Insurance Limited considers that it's required by HM Revenue & Customs to deduct income tax from the interest, it should tell how much it's taken off. It should also give a certificate showing this if Mrs and Mr S ask for one, so they can reclaim the tax from HM Revenue & Customs if appropriate.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs S and Mr S to accept or reject my decision before 8 July 2021.

Nigel Bracken
Ombudsman