

The complaint

Mr R complains that BG Insurance Limited (BG) declined a claim under his home emergency policy. He says BG said certain repairs hadn't been covered by his policy since 2016, but it hadn't advised him of this. He would like his excess premiums refunded.

What happened

Mr R moved into his home in 2010 and arranged a home emergency policy with BG. This provided for an annual service and repairs to his central heating system and boiler. BG carried out services and occasional repairs to the boiler and heating system. On 15 July 2020 BG attended regarding a problem with a radiator not warming up properly. BG said the problem was caused by sludge in the heating system. It said sludge wasn't covered by the policy and said it would prepare a quote to powerflush the system. It subsequently said that the system wasn't suitable for powerflushing. Mr R complained about this noting the policy Terms and Conditions (T&C's) under a section headed "*What's not covered*" said:

*"Damage caused by limescale, **sludge** or other debris, if we've told you before that you need to carry out **repairs**, improvements or a **British Gas Powerflush**, or a similar process, but you haven't done so"*

Mr R said he'd not been advised to make improvements or have the system flushed so he thought the repair should be covered. After some confusion BG said it had advised there was a problem with sludge in September 2016 when it had replaced the pump. It said it was now "*unable to cover water bearing parts of your system*", but as a gesture of goodwill it said it would install a new radiator for free if Mr R purchased it.

Mr R referred his complaint to our service saying BG hadn't advised or given him any paperwork about a powerflush and if it had he'd have acted on it. He said BG had done work on the water bearing parts of the system on 15 July 2020 when it changed a radiator valve. He queried why it would do this if it had previously advised sludge was causing problems and needed to be dealt with. He said it wasn't fair that he'd been paying for a policy since 2016 that he couldn't claim on and his premiums hadn't been adjusted to reflect that.

Our investigator looked into Mr R's complaint and she said it should be upheld.

She said it was difficult to comment on what may or may not have been said back in 2016, but on balance it probably was mentioned as BG's notes recorded it at the time. So, it was fair for BG to say the repair wasn't covered by the policy. She said BG had confirmed Mr R's system wasn't suitable to be powerflushed due to the design of the boiler as well as the microbore pipes. And as there was no other way to clean the system of sludge Mr R wouldn't have been able to take action to ensure he was covered by the policy.

Our investigator said it was fair that BG should refund some of the premiums Mr R had paid since September 2016 by working out what level of cover he could have actually benefited from such as an annual service only.

BG disagreed. It said it had been advising for many years that the system should be replaced in view of its age and inefficiency. Our investigator said BG had continued servicing the system for around 10 years after its notes record it advised replacement. It said Mr R was aware of these issues and said its terms and conditions (T&C's) were clear. It said it

didn't make refunds of premium if parts of the policy couldn't be used, but many repairs were still possible.

As BG 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've decided to uphold this complaint.

BG says its T&C's are clear about sludge and I think they are. But what is less clear is how it communicated important information to Mr R about what his policy offered in the circumstances of his central heating system and how it changed as age related issues developed.

BG's engineers complete a system note about any work undertaken and recommendations made. The notes record advice was given to replace the boiler on several occasions since 2010 and in 2016 say "*advised on sludge/boiler*". Mr R says that didn't happen or he would have acted at the time. The note doesn't record that powerflushing wasn't possible.

BG says Mr R had:

"made an informed decision to continue with the policy under the terms ... and we don't refund parts of the policy that can no longer be used in this case, where advice has not been taken to remove sludge and scale."

I don't think it's reasonable to say Mr R had made an informed decision, in part because BG has now confirmed that powerflushing wasn't possible due to the design of the boiler as well as the microbore pipe. And whilst the engineer might have said a powerflush was needed in 2016, BG only seems to have confirmed in writing that it wouldn't cover the "*water bearing parts of your system*" in its final response letter rejecting Mr R's complaint. If BG had made a change to the terms of the policy, as it effectively says it had above, I think it's fair that Mr R be notified of it.

Before Mr R's policy anniversary each year renewal documents are sent by BG setting out the premium and the basis of the cover. The renewal dated 10 June 2020 contained the following:

*"Our records show that your boiler is (make and model)
Your boiler's manufacturer stopped making your particular model of boiler a while ago. They're still making the most important parts for your boiler, some other parts are becoming difficult to source
This means we may not be able to fix your boiler if it breaks down, but we'll do our best to keep it running for as long as possible
In the unlikely event we can't fix the boiler, you may be able to get a refund back dated to when you last had work done, or to when you renewed your agreement - whichever's the most recent"*

Whilst this specifically refers to the boiler, it outlines possible limitations on the policy cover due to limited parts availability. I think this is a reasonable thing for BG to do. It lets the customer know that due to situations beyond BG's control, repairs might not be possible. It reduces ambiguity about what may or may not have been said and understood during an engineer's visit – possibly many years before.

Mr R's policy provided cover for the whole central heating system, not just the boiler and BG did advise Mr R of possible limitations in his cover due to parts availability. So, I think it's reasonable that it should also have confirmed to him of the actual limitations applying to the

cover of “*water bearing parts*” of the central heating system from 2016. Had it, Mr R would have been able to make an informed decision about the merits of the policy.

Mr R could have assessed the benefit of paying for a policy for the entire heating system when the potential for actual repairs to be made beyond the boiler would seem remote. He might have decided to opt for a lower cost product from BG that just covered the boiler for repairs, or for annual servicing only, or looked for alternative cover elsewhere. As he didn't, I think that suggests that Mr R wasn't fully aware of the limitations. And, I think it's more likely than not that Mr R has paid for cover he couldn't benefit from since 2016.

So, I don't think BG has treated Mr R reasonably.

Putting things right

BG has provided some services to Mr R under the policy since 2016. So, I think it's fair that BG should recalculate the premiums it has charged since the coverage of the policy changed in 2016 to reflect what cover was actually available in the circumstances. It should make the appropriate refund to Mr R with 8% interest simple per year added.

My final decision

My final decision is that I uphold this complaint against British Gas Insurance Limited.

I direct British Gas Insurance Limited to recalculate the premiums on the policy to reflect the cover actually available to Mr R since September 2016 and to refund the difference to him with 8% interest simple per year added.

If British Gas Insurance Limited 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 Mr R asks for one, so he can reclaim the tax from HM Revenue & Customs if appropriate.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr R to accept or reject my decision before 14 April 2022.

Nigel Bracken
Ombudsman