

The complaint

Miss F has complained that Domestic & General Insurance Plc ('D&G') declined to pay the full replacement value for a boiler under her boiler and system insurance policy.

What happened

Miss F renewed her boiler and system insurance with D&G in January 2022. She had held boiler insurance cover with D&G since 2004. Her annual premium quote in January 2022 was for just under £450.

D&G's engineer carried out an inspection of Miss F's boiler in January 2022. The engineer deemed Miss F's boiler to be non-repairable and wrote off the boiler. It was recorded that the boiler needed a replacement heat exchanger that had been obsolete for 20 years. Miss F needed a replacement boiler in the circumstances. DGI offered Miss F £750 but Miss F considered she was entitled to a payment equal to the policy limit of £1,500 and she noted that £750 wasn't referenced in any documentation.

D&G referred to the policy terms and conditions under the heading '*repair and write-offs*'. It said the repair quote its representative provided was for £190.26, so, according to the policy terms, this was all D&G had to pay. It said that it had, however, made a much higher goodwill payment of £750 to Miss F.

Miss F replaced the boiler at her own expense and was unhappy that D&G hadn't paid the full amount she expected of £1,500. Miss F was also unhappy with the way D&G treated her and handled her claim and said that this caused her a great deal of stress and inconvenience. She referred her complaint to this service.

Our investigator upheld Miss F's claim. He didn't consider that D&G's policy terms and conditions clearly set out what would happen if parts to repair a boiler were no longer available. He considered that D&G hadn't applied the policy terms and conditions in a fair and reasonable way. On the matter of parts availability, he didn't think it was fair to say that because parts weren't available, D&G could default to a lower amount than the policy limit.

D&G didn't accept our investigator's view and the case has been referred to myself to make a final decision in my role as Ombudsman.

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.

The question for me to determine is whether D&G applied the terms and conditions of the policy in a fair and reasonable manner. The terms and conditions are therefore the starting point and the relevant extracts are reproduced below.

Under the heading '*Repairs and write-offs*', the policy wording states: -

'1. We will always (subject to the terms and conditions of this policy) repair your product, unless we cannot repair it; we cannot obtain the spare parts to repair it; the repair cost would exceed the cost of the current purchase price of a new product; or repairing it would exceed the policy limit (see 'Claim limits' above),'

2. In these circumstances, we will give you vouchers or cash instead. The vouchers/cash will be the lesser of either:

- our repairer's estimated cost of the repair (this will often be the manufacturer's fixed price repair charge); or*
- the balance of the policy limit.*

3. All vouchers will be redeemable from a retailer of our choice and will be valid for 12 months from the date of issue...

4. Under this policy you will not receive a replacement boiler and we will therefore not be responsible for any installation or delivery costs.'

The policy limit is defined as follows: -

'If we authorise a repair or a replacement (or a contribution towards a replacement), the policy limit is the most we'll pay in total for repairs and/or towards a replacement for the product. The policy limit is £1,500.'

Under the heading: - *'What happens if your product is written-off?'* the policy states: -

'... If we decide to write-off your product and to pay a contribution towards its replacement, your policy will end immediately and any unpaid premium for the current policy period will become due. No premium paid will be refunded. For voucher settlements we will deduct any premium outstanding for the duration of your policy from the voucher settlement.' D&G hasn't claimed that there is any premium outstanding in this case.

Miss F thought that the terms and conditions of D&G's policy were misleading and outdated. She said: - *'they have provided £750 which they say I should be thankful for this amount is not quoted anywhere. It still reads amount of £1500 for repairs/replacement.'* Miss F thought it was unfair for D&G to quote for a repair when the parts were no longer available. She said that if she'd known this, she would have cancelled the policy years ago.

Miss F said that she'd had a phone conversation with a D&G representative when Miss F specifically asked if she would get £1500 if D&G couldn't repair her boiler. The representative confirmed she would. She accepted that this was some time ago, but she said she'd based her decision to continue with the policy on this information.

I also note from Miss F's complaint call with D&G that she was frustrated by a one-and-a-half hour wait to get through to a D&G representative to lodge her complaint. She said that she'd bought a premium boiler policy and she expected it to cover her in such circumstances.

In D&G's final response letter sent in February 2022, it said that £1,500 was the maximum which D&G would pay for repairs. It said that the terms and conditions explained that where it couldn't repair the boiler as in this case, due to parts being unavailable, the settlement sum would be the lesser of either the repairs estimate figure or the balance of the policy limit. It said that the lower figure was £190.26 as this was the *'last known cost of repair'*.

D&G explained that its claims team has taken the decision to offer all boiler write-off customers a set amount of £750.00 as a contribution towards a replacement boiler. It said

that this figure exceeded what was required to be paid under the policy terms and conditions, *'...in fairness to reflect treating all customers fairly.'*

D&G further stated that its position was supported by the *'very clear'* wording as to what the customer could expect in the event of the boiler not being repairable. It considered that £750.00 represented a higher amount than its liability and that D&G had been fair and reasonable in this respect. It considered that it was being penalised for increasing the settlement offered. D&G explained that £750.00 isn't mentioned in the documentation, as this amount had been offered in line with *'newer policies'* currently offered.

As to availability of parts, D&G stated that it wouldn't be aware of non-availability until such time they were required and once it becomes aware of this fact, D&G would act in line with the policy terms. It argued that; *'an appliance can go on for many years not requiring a particular part and then is written [off] for something completely different. In this event we would still not be aware that a part was no longer available.'* Again, it considered that it was being penalised for not knowing about availability of parts. D&G noted that Miss F had used the policy for multiple repairs over the years of cover and as such; *'the policy has worked as it should and [D&G] has offered an inflated cash settlement.'*

I've carefully considered all evidence and submissions provided by both D&G and Miss F. As well as considering the wording of the terms of conditions, I've also looked at whether those terms have been fairly applied in all the circumstances. D&G thought that the wording was very clear in terms of what the customer could expect in the event of the boiler not being repairable. I don't agree.

The terms and conditions explain that £1,500 is the maximum that will be paid out in relevant circumstances. In this case D&G had confirmed that the heat exchanger needed replacing but the part had been obsolete for 20 years. D&G therefore decided to write-off the boiler. The relevant policy terms state that where; *'we cannot obtain the spare parts to repair it,'* D&G will effectively pay the lesser of either D&G's estimated cost of repair, stated to be £190.26, or £1,500. However, the policy goes on to explain what will happen in the case of boiler write-off, and it refers to a contribution being made towards its replacement and makes no reference to repairs or payment equivalent to the cost of repair in this instance.

I'm satisfied that a policyholder would reasonably reach the conclusion that where D&G writes-off a boiler, that the insurer would not then rely upon the estimated cost of a non-feasible repair as a fair figure to indemnify the policyholder for her/his loss.

I note that D&G may have identified an issue with its policy wording in such circumstances and offered a set amount of £750 as a contribution towards a boiler replacement to customers. This amount had been offered in line with D&G's *'newer policies'*. I appreciate that this may have been an attempt by D&G to treat customers more fairly, nevertheless in this instance I don't consider that this achieved a fair and reasonable outcome for Miss F.

I've listened to the complaint call made by Miss F, and on the facts of this particular case, and on the balance of probabilities, I'm satisfied that Miss F did have a previous telephone conversation with a representative of D&G. From this previous conversation, she was left with the clear understanding that, in the event of a write-off, she would receive the maximum amount of £1,500 as a contribution towards buying a replacement boiler. I also note that Miss F had renewed her boiler policy with D&G since 2004 and that she'd understood that the level of service reflected by her premium would cover her in the event of boiler write-off.

In conclusion, I don't consider that the terms and conditions are clear as to what D&G intended the policy to cover in the event of a write-off situation. In any event, I don't consider it fair for D&G to rely on a hypothetical repair cost to limit its indemnity in this way,

particularly where, as in this case, D&G had previously given Miss F assurance to the contrary.

I also note that the way in which this matter has been handled by D&S has caused distress and inconvenience for Miss F. I therefore agree with our investigator that it would be appropriate for D&G to pay modest compensation of £100 to Miss F in this regard.

My final decision

For the reasons given above, I uphold Miss F's complaint and require Domestic & General Insurance Plc to; -

- Pay to Miss F £750, being the balance of the policy limit, within 28 days of her acceptance of this Final Decision.
- Pay 8% a year simple interest* on the further sum of £750 from the date D&G made the initial payment of £750 to Miss F.
- Pay Miss F compensation of £100 for the distress and inconvenience caused in the handling of this claim within 28 days of her acceptance of this Final Decision. If it pays later than this date it must also pay interest on the compensation from the date of the Final Decision to the date of payment at 8% a year simple*.

*If D&G considers that it's required by HM Revenue & Customs to deduct income tax from that interest, it should tell Miss F how much it's taken off. It should also give Miss F 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 Miss F to accept or reject my decision before 26 July 2022.

Claire Jones
Ombudsman