

The complaint

Mr M has complained about the service provided by British Gas Insurance Limited (BGIL) under his boiler insurance policy and the sale of the policy on their behalf by British Gas Services Limited (BGSL).

What happened

Mr M took out a plan with BGIL in November 2021 through BGSL, who I understand to have been acting as an agent of BGIL. Any reference in this decision to BGIL also includes BGSL as their agent.

The plan included insurance cover (a policy) for a boiler at a property Mr M rents out. The policy provided cover if his boiler broke down. It also included a first service and the provision of a Gas Safety Certificate. Mr M was sent a welcome letter and a terms and conditions document. In the welcome letter it said the British Gas engineer would check whether the boiler was one BGIL could cover when they carried out the first service. It also mentioned this on page 28 of the terms and conditions document.

Mr M contacted BGIL and booked the first service for 21 January 2022. The boiler went wrong a couple of weeks before this and Mr M has said he tried to get through to speak to someone at BGIL about this and to get an engineer to come out earlier. Mr M has said he had trouble getting through and, in the end, he agreed with his tenant to leave it until the visit on 21 January. Mr M has said the engineer didn't turn up on 21 January and BGIL didn't tell him the appointment had been cancelled. Although, BGIL have said they sent a letter on 23 December 2021 telling Mr M the service needed to be rescheduled to April. Mr M has said he called BGIL and found out they'd cancelled it because they were short of engineers and wanted to reschedule it for April. Mr M has said he made several calls to BGIL and finally managed to get them to agree to send an engineer out on 25 January. Mr M has explained that an engineer came out and inspected his boiler and told his tenant that BGIL would be in touch with Mr M. But, Mr M didn't hear from BGIL, so he contacted them. They told him his plan had been cancelled and Mr M has said they couldn't explain why. And that it took him several more calls to find out this was because his boiler wasn't one they could cover. Mr M complained to BGIL, and they offered him £100 in compensation for the poor service they'd provided. Mr M wasn't happy with this outcome, so he complained to us.

Mr M has explained that in the meantime he left his tenant to get the boiler fixed. And he then agreed a reduction in her rent for January of £500 to cover what this cost and compensate her for the fact she'd had no hot water or heating for a period of time. He then paid a local plumber to service the boiler and provide a Gas Safety Certificate and agreed a fixed call out fee for him to come out and repair it if there were any further problems. Mr M has also explained that his tenant decided to leave due to the problem of not having had heating or hot water.

One of our investigators considered Mr M's complaint and said BGIL should have made it clearer when they sold the policy that they didn't cover boilers that weren't on their approved list. And he felt if they'd done so Mr M wouldn't have bought the policy and

would have bought another policy instead. And that he'd then have had the problem with the boiler fixed earlier and not had to give his tenant a discount on their rent. He said BGIL should pay Mr M £500 to cover the rent he'd lost, plus £100 to cover the cost of a Gas Safety Certificate. He also said BGIL should pay Mr M £100 for distress and inconvenience.

BGIL didn't agree with the investigator's view. They said the terms and conditions document Mr M was sent made it clear on the first and second pages that an engineer would check whether BGIL could cover Mr M's boiler during the first service. And if Mr M wasn't happy about this he had 14 days to cancel his policy and receive a full refund. BGIL felt they made Mr M aware as soon as possible about the status of his boiler. They also said the terms and conditions were available for him to view on-line before he agreed to buy the policy. And they didn't think there was anything they could reasonably have done at point of sale and when they sent the terms and conditions document that could have made things clearer for Mr M.

I issued a provisional decision on 25 August 2022 in which I set out what I'd provisionally decided and why as follows:

When BGIL sold the policy to Mr M they needed to do so in accordance with the Insurance Conduct of Business Sourcebook (ICOBS) rules as set out in the Financial Conduct Authority Handbook. These cover the sale of insurance policies and required them to take reasonable steps to ensure that a customer only buys a policy under which they are eligible to claim benefits. These also required BGIL to ensure a customer is given appropriate information about a policy in good time and in a comprehensible form, so that the customer can make an informed decision about the arrangements proposed. The level of information required varies, but it's clear from the rules that making the customer aware of the main benefits, exclusions and limitations of the policy is important. And – from what BGIL have said - I don't think they fulfilled these obligations.

Firstly, BGIL did not – in my opinion – take reasonable steps to ensure Mr M bought a policy he was eligible to claim benefits under. He couldn't claim benefits under the policy he bought, as his boiler was not on BGIL's approved list. But, BGIL appear to have done nothing at all to check this before allowing Mr M to buy the policy. They only intended to check this nearly two months after he bought it when they carried out the first service. And I don't think this can be said to be reasonable steps. I say this because by this point Mr M was committed to the policy, ie he'd already bought it and the rules specifically say BGIL needed to ensure he only bought it if he was eligible to claim under it. I appreciate BGIL might argue that Mr M himself was eligible to claim, but this is not what I think the rules are actually getting at. I think they are intended to make sure businesses don't sell policies the person buying it can't actually claim benefits under. BGIL's process meant that by the time Mr M found out he couldn't claim benefits it was after the cooling off period had ended. And by this time, he'd lost the opportunity to make alternative arrangements to cover him if the boiler in his rented property broke down. And it wasn't good enough for BGIL to simply point out in a welcome letter and the terms and conditions that they'd need to check Mr M's boiler to see whether it was one they could cover.

Secondly, I don't consider BGIL ensured Mr M could make an informed decision about the policy prior to agreeing to buy it. This is because it was not made clear in the sales process

that the policy he was buying might not cover his boiler. It was on page 28 of the terms and conditions document he had access to in the sales process. But, simply giving someone a link to the terms and conditions and not highlighting such an important term wasn't good enough.

I appreciate Mr M could have spotted the fact his boiler needed to be checked when he got the welcome letter, as it was mentioned in this, as opposed to being on the first and second page of the terms and conditions document as suggested by BGIL. But, this doesn't alter the fact that Mr M should have been aware that he wouldn't be able to claim benefits under the policy before he agreed to buy it. And I don't think he should be penalised for something he missed in the welcome letter that he should already have been aware of. And, if this had been the case, for the reasons I've set out below, I don't think Mr M would have bought the policy and ended up missing the fact his boiler might not be covered when he got the welcome letter.

It is hard to know exactly what impact the mis-sale of the policy had on Mr M. But, from my conversation with him, I'm satisfied he wouldn't have bought the policy if he'd realised it might not cover his boiler. This is because – as a landlord – he needed to have the peace of mind of knowing that his tenant wouldn't have a problem if the boiler went wrong. Plus, he needed to have it serviced and get a Gas Safety Certificate as soon as possible. And – from what Mr M has said he did once he found out the policy didn't cover his boiler, I think he'd have got a local plumber to service his boiler and provide the Gas Safety Certificate and then relied on him to fix any problems with a fixed call out fee instead of buying an insurance policy to cover it.

This means if BGIL hadn't mis-sold the policy Mr M would most likely have incurred the cost of a service and a Gas Safety Certificate and having his boiler repaired, just as he did when he was told by BGIL they'd cancelled his policy. However, Mr M wouldn't have had to give his tenant a discount, as his tenant would not have had to make do without hot water and heating for a significant period of time. This is because Mr M would have got the boiler serviced in November and the fault with it would almost certainly have been picked up and fixed before the boiler stopped working.

I've checked Mr M's bank statements and I am satisfied from these and his testimony that he did give his tenant a £500 discount. So I think as part of the fair and reasonable outcome to this complaint BGIL should reimburse this, ie pay Mr M £500. This is because he only had to provide this discount because he ended up buying a policy from BGIL under which he couldn't claim benefits and he should not have actually ended up buying.

I can't tell from the evidence BGIL have provided exactly what level of service they provided to Mr M around arranging the service, an engineer not turning up and communication generally. But, I'm satisfied from Mr M's testimony that the service they provided wasn't very good. And I think this and the mis-sale of the policy caused him unnecessary distress and inconvenience. BGIL have already offered Mr M £100 for this, but it's not clear whether they've paid it. I think they should pay £200 in total in compensation for distress and inconvenience. So, if they've already paid £100, they need to pay a further £100. If they haven't already paid £100, they need to pay £200.

I gave both parties until 8 September 2022 to provide further comments and evidence in response to my provisional decision. I also emailed British Gas Services Limited (BGSL) to ask whether when selling the cover for Mr M's boiler they were acting as an agent of BGIL. This was because I was concerned to make sure this complaint was set up against the right business and my final decision would be issued against the right business as well. And it would only be correct for the complaint to be set up against BGIL if BGSL were acting as their agent when selling the insurance cover for Mr M's boiler. Mr M has not provided any further comments or evidence on his complaint.

BGIL have responded with the following points:

- During the sales journey it was confirmed to Mr M that although the policy had been put in place, a first visit was required in order to confirm whether his boiler and controls could be covered going forward.
- BGIL wouldn't provide cover for his boiler because on inspection the engineer discovered the air vent (which supplies clean/fresh air for combustion) was "At Risk (AR)". They've said this could have been for a number of reasons, such as the vent being undersized, fitted where it cannot be checked or that there was simply no vent at all.
- Until an inspection had taken place, it would have been impossible to have known about the fault identified with Mr M's boiler or what impact this would have on ongoing cover.
- It wouldn't have been fair or appropriate to pass on the responsibility of self-validating that the appliance was operating safely and efficiently to Mr M.
- Although Mr M's boiler was classified as "At Risk" by the engineer, the safety procedures stated that the appliance would only be switched-off with the customer's permission. And Mr M still had the option to have rectification work completed elsewhere if this was a possibility; at which point he could either have returned to British Gas or shopped around for alternative cover going forward.
- The engineer also established that Mr M's boiler was Reduce Service Listed (RSL), which meant that parts were difficult to source for it. This would not in itself have resulted in the boiler being unsuitable for cover, as many customers with back boilers remain on cover for them. But, where parts are becoming difficult to source, customers are informed that BGIL's ability to carry out repairs in the future may be impacted. It is then up to the customer to make an informed decision as to whether they wish to continue with the cover. British Gas will continue to carry out repairs as long as the parts remain available to do so.
- BGIL have not said whether BGSL were acting as their agent when selling the policy. So, on the basis they haven't suggested they weren't, I've proceeded on the basis BGSL did act as BGIL's agent when selling the policy.

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.

It is clear from what BGIL have said that the reason that they wouldn't provide cover for Mr M's boiler was not because it was not on their list of approved boilers. It was actually because it didn't meet their safety standards. I accept that this means there is nothing more BGIL could have done to enable Mr M to make sure he was eligible to claim under the cover they were providing prior to him agreeing to purchase the policy. I say this because, as BGIL have suggested, it would not be practical or appropriate for them to provide a list of safety issues and ask customers like Mr M to check to make sure their boiler and/or central heating meets them.

But, in my opinion BGIL took far too long to come and check whether they could cover Mr L's boiler, ie they didn't enable him to find out whether he was eligible to claim in a reasonable time. If it is necessary for BGIL to carry out a check to make sure they can cover a customer's boiler at the first service, I think this needs to be done in the first couple of weeks of someone taking out the policy, not after two months. In Mr M's case, by the time two months had passed he'd experienced problems with his boiler and was then left relying on BGIL to come out to fix it, only to find they wouldn't; leaving him to sort out the issue with his tenant. I appreciate BGIL have suggested there may already have been an issue with Mr M's boiler before he took out the plan, but there is no evidence of this and Mr M's testimony, which I accept, is that it was working fine. So, in summary, I don't think BGIL fulfilled their

obligation to take reasonable steps to ensure Mr L bought a policy under which he was eligible to claim because it took far too long to come out and check his boiler.

And I'm still not satisfied BGIL fulfilled their obligation to put Mr M in a position to make an informed decision about the cover he was purchasing. This is because BGIL haven't provided anything that persuades me they clearly explained *before* Mr M bought the policy that they might not be able to cover his boiler and that they would not be able to check whether they could until the first service. BGIL have referred to it being in the sales journey, but whilst they've shown there as a link to the terms and conditions for the cover, they've not provided anything to show it was specifically highlighted. So, I'm still not satisfied BGIL did enough to highlight such an important limitation.

I appreciate the limitation was mentioned in the welcome letter Mr M was sent *after* he'd agreed to buy the policy, but this was too late. As by this time he was committed to the policy. I know Mr M received this in the 14 day cooling off period, but – as I explained in my provisional decision, I don't think he should be penalised for the fact he missed this, when if it had been properly highlighted in the sales process he most likely wouldn't have bought the policy in the first place.

It therefore follows that it remains my view for the reasons set out in my provisional decision and above that BGIL's apparent failing in their sales process and their failure to check Mr M's boiler for around two months prejudiced his position; in that he'd have not bought the policy or he'd have realised much earlier BGIL wouldn't cover his boiler and had it serviced before it stopped working. This would have meant he didn't have to give his tenant a £500 discount. And – I'm satisfied with the evidence Mr M has provided to support this, ie bank statements.

BGIL haven't commented at all on the poor service they provided when Mr M tried to contact them or on the level of distress and inconvenience he experienced. So I see no reason to alter my view that they should pay Mr M £200 in compensation for this.

Putting things right

I consider the fair and reasonable outcome to Mr M's complaint is for BGIL to pay him £500 in compensation to cover the discount he felt obliged to provide to his tenant and £200 in compensation for distress and inconvenience, less anything they've already paid him for this.

My final decision

For the reasons set out above, I uphold Mr M's complaint and order British Gas Insurance Limited to pay him £700 in compensation, less anything they've already paid him.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 20 October 2022.

Robert Short
Ombudsman