

The complaint

Mr I and Miss W complain that U K Insurance Limited mishandled a claim on the home emergency section of their home insurance policy.

Where I refer to UKI, I refer to the above-named insurance company and I include its claims management company or home services provider, engineers and others insofar as I hold UKI responsible for their acts or omissions.

What happened

Mr I and his partner Miss W live in an area with hard water. He works with children.

For the year from April 2021, Mr I and Miss W had a home insurance policy. It had a home emergency section (Section 5) providing help up to a limit of £500.00.

The home emergency section included repair of their central heating boiler. But it excluded repair if the boiler was “beyond economic repair” (“BER”) in which case UKI would pay £250.00 towards a new boiler. The home emergency section also excluded work due to water scale or sludge.

On 12 December 2021, Mr I and Miss W’s boiler wasn’t working properly. So they contacted UKI for help. On 13 December 2021, UKI visited and said that the boiler needed a replacement diverter valve.

On 17 December 2021, UKI gave short notice of a visit and Mr I and Miss W weren’t at home.

On 22 December 2021, UKI replaced the diverter valve and recommended a power flush.

On 31 December 2021, Mr I and Miss W noticed that the boiler was leaking water. They reported it to UKI.

On 1 January 2022, UKI visited and said that the boiler had an issue with the pump.

Between 6 and 9 January 2022, Miss W and Mr I contacted UKI. It said that it wouldn’t do any further work until someone had done a flush. They complained about UKI’s communication.

On 10 January 2022, Mr I and Miss W had the power flush done at a cost to them of £440.00.

On 12 January 2022, UKI said that either it would treat the boiler as BER, or Mr I and Miss W could pay it over £700.00 towards the cost of replacing the hydro block (including the diverter and the pump).

By a final response dated 14 January 2022, UKI offered “£100.00 compensation for the

distress and inconvenience caused by the lack of information provided.”

Unhappy with that, Mr I and Miss W brought their complaint to us without delay.

our investigator's opinion

Our investigator recommended that the complaint should be upheld in part. He didn't think that UKI had acted fairly. He said that the status of the boiler was known on 1 January 2022 and didn't change up to 12 January 2022 when UKI then decided the boiler should be deemed BER. He said that poor communication led to the financial loss of £440.00.

He said that the parts would've been a maximum of 5 days, so UKI should contribute to the heater costs from 6 January 2022 when the parts could've been fitted, up to 14 January 2022 when the complaint was answered.

The investigator recommended that UKI should:

1. pay the costs incurred for the power flush; and
2. issue the payment of the £100.00 compensation previously offered; and
3. contribute to the costs of the heaters that were in use in line with his comments.

my provisional decision

After considering all the evidence, I issued a provisional decision on this complaint to Mr I and Miss W and to UKI on 8 September 2022. I summarise my findings:

UKI caused Mr I and Miss W to pay £440.00 for an urgent flush that they wouldn't otherwise have paid for.

I found it more likely than not that the cost of fixing the old boiler was more than 85% of the cost of a new boiler of similar make and model (excluding the cost of installation). So I was minded to find it fair and reasonable to direct UKI to pay Mr I and Miss W (rather than the balance left of the £500.00), the £250.00 BER payment.

UKI tried to put things right with an offer of £100.00. But I didn't consider that this was enough to make up for the impact its poor communication had on Mr I and Miss W. Rather I concluded that £300.00 would be fair and reasonable.

Subject to any further information from Mr I and Miss W or from UKI, my provisional decision was that I upheld this complaint in part. I intended to direct U K Insurance Limited to pay Mr I and Miss W (jointly):

1. £440.00 in reimbursement for the power flush; and
2. £250.00 as a BER payment; and
3. simple interest at a yearly rate of 8% on the £440.00 from 10 January 2022 and on the £250.00 from 12 January 2022 to the date of UKI's payment. If UKI considers that it's required by HM Revenue & Customs to take off income tax from that interest, it should tell Mr I and Miss W how much it's taken off. It should also give him or her a certificate showing this if either of them asks for one, so he or she can reclaim the tax from HM Revenue & Customs if appropriate; and

4. £300.00 for distress and inconvenience.

Mr I and Miss W have responded to the provisional decision. He says, in summary, that:

- He bought a new boiler and had it installed. He has sent us an invoice and an installation certificate dated 31 January 2022.
- Regardless of a flush being completed only a couple of weeks before, the installation company said it couldn't give a warranty without doing another flush. He has sent us the installation checklist showing that the installer did a power flush. So effectively he and Miss W paid for the flush again within the cost of the new boiler replacement.
- They did receive the £250.00 from UKI towards the replacement boiler.

UKI disagreed with the provisional decision. It says, in summary, that:

- In relation to the power flush (£440.00), it proposes to pay 50% (£220.00). This is because there is evidence (including photographs) of the contamination of the system, so the customer benefited from the cleanse. If the customer had their boiler replaced, a power flush would be necessary causing no financial detriment.
- In relation to distress and inconvenience, £150.00 would be a more fair and reasonable amount. The engineer who attended on 1 January 2022 noted as follows:
 - *"Took Ph refused isolation and drain down of boiler due to wanting services. SERVICES STATUS: Has heating and hot water with a leak."*
- It made the BER payment of £250.00 on 7 March 2022.

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 financial limit of £500.00 included VAT and was for each call-out.

The policy included the following definition:

"Beyond economic repair (section 5) When the cost of repairing **your** boiler exceeds 85% of the manufacturer's current retail price (or if this is not available, the average current retail price available through leading UK suppliers) for a boiler of the same or similar make and model to **your** boiler."

The policy didn't cover work caused by scale or sludge. But I haven't seen any policy term allowing UKI to decline a repair until the policyholder has had a power flush.

I accept that UKI should've communicated better about its proposed visit on 17 December 2021.

I haven't seen enough technical evidence to show that UKI's repair on 22 December wasn't reasonable.

From what Mr I and UKI have each said, I find it likely that on 31 December, there was a crack in a plastic cover over the pump. I consider that UKI was responsible for some conflicting and confusing statements about the work to fix this.

But I haven't seen evidence of a statement that the work was caused by scale or sludge. Rather, I accept Mr I's statement that UKI led him to believe it would do the work – after he showed it evidence of a power flush. I don't consider that UKI's stance was in line with the policy terms.

Also, UKI took that stance without having taken the opportunity to find out and communicate the cost of the work to fix the leak (which UKI later said would be in the region of £1,000.00).

I have seen evidence that Mr I and Miss W replaced the boiler. I accept Mr I's statement that – notwithstanding the flush on about 10 January 2022 – the cost of installation included another flush. So I consider that UKI had caused Mr I and Miss W to pay £440.00 for an urgent flush that they wouldn't otherwise have paid for.

I find it fair and reasonable to direct UKI to reimburse Mr I and Miss W the £440.00. As they've been out of pocket since 10 January 2022, I find it fair and reasonable to direct UKI to add interest at our usual rate.

I accept that the visits on 13 and 22 December were part of the same call-out. But I haven't seen enough technical evidence to show that the visit on 1 January was also part of the same call-out. Also, UKI hasn't given enough details of its costings.

So I don't consider that UKI treated Mr I and Miss W fairly by saying that they had already used most of the limit of £500.00 and they would have to pay over £700.00 if they wanted UKI to fix the leak. However, Mr I and Miss W didn't accept that option.

I had thought about directing UKI to pay Mr I and Miss W the balance which was left of the £500.00 after deducting the cost of the visit on 1 January. However, Mr I and Miss W have now told us that (rather than getting someone to fix the leak) they had a new boiler installed.

In any event, UKI in effect treated the boiler as BER. And notwithstanding the insufficient detail of its costings, I find it more likely than not that the cost of fixing the old boiler was more than 85% of the cost of a new boiler of similar make and model (excluding the cost of installation).

So I find it fair and reasonable that UKI paid Mr I and Miss W (rather than the balance left of the £500.00), the £250.00 BER payment.

Notwithstanding the engineer's note on 1 January 2022, I accept Mr I's statement that the boiler remained off, so he and Miss W started using heaters costing £4-£8 per day and showering at the home of his older relative.

I find that UKI's poor communication caused delay and a prolongation of the period during cold weather for which Mr I and Miss W had no central heating or hot water.

They have made reference to a smart meter for electricity. But they must've made a saving on gas (however unwelcome that was). So I consider that Mr I and Miss W have fallen short of showing that UKI caused an identifiable financial loss on energy bills.

In any event, the real point is that UKI caused them extra and unnecessary distress and inconvenience at an already difficult time for them. That included having to shower at the

home of Mr I's older relative, for whose health they were concerned. This was at a time when there was still concern about transmission of Covid-19 from children to adults and older people.

The impact also included the need to deal with difficult telephone calls, conflicting and confusing information and uncertainty about how the situation could be resolved.

UKI tried to put things right with an offer of £100.00. But I don't consider that this was enough to make up for the impact its poor communication had on Mr I and Miss W. Neither do I consider that its recent offer of £150.00 was enough. Rather I conclude that £300.00 is fair and reasonable.

Putting things right

I find it fair and reasonable to direct UKI to reimburse Mr I and Miss W the £440.00. As they've been out of pocket since 10 January 2022, I find it fair and reasonable to direct UKI to add interest at our usual rate.

I conclude that £300.00 is fair and reasonable for the impact UKI's poor communication had on Mr I and Miss W.

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 Mr I and Miss W (jointly):

1. £440.00 in reimbursement for the power flush; and
2. simple interest at a yearly rate of 8% on the £440.00 from 10 January 2022 to the date of UKI's payment. If UKI considers that it's required by HM Revenue & Customs to take off income tax from that interest, it should tell Mr I and Miss W how much it's taken off. It should also give him or her a certificate showing this if either of them asks for one, so he or she can reclaim the tax from HM Revenue & Customs if appropriate; and
3. £300.00 for distress and inconvenience.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr I and Miss W to accept or reject my decision before 15 October 2022.

Christopher Gilbert

Ombudsman