

The complaint

Mr H complains about British Gas Insurance Limited ("British Gas") for failing to identify extensive corrosion to his water tank. He wants British Gas to refund his premiums for at least 3 years.

What happened

Mr H has an older style boiler, which ceased production some years ago.

He held boiler cover with British Gas, which included cover for repairs to the boiler system, and an annual inspection.

In 2021, Mr H's renewal price for his cover was around £797 for the year.

In his renewal letters, British Gas advised that parts for the boiler may no longer be available, and set out that if the boiler broke down and could not be repaired, then Mr H could be refunded his premiums back to the last repair, or the last renewal, whichever was more recent.

Mr H had repairs carried out in late 2017/early 2018.

Mr H had annual services carried out in October 2018, July 2019 and November 2020.

In October 2021, Mr H's annual service was carried out. Mr H reported that water was leaking from the cylinder.

British Gas returned the following day and removed the insulation jacket from the cylinder. This exposed extensive corrosion and the boiler was disconnected as no longer safe.

Mr H complained to British Gas. He considered that British Gas had been negligent in not observing (or informing him about) the corrosion over previous annual inspections. He considered that this had caused him to have to replace the boiler and left him without heating and hot water for a period until the new boiler was fitted.

British Gas responded to his complaint. It offered to refund his premiums back to February 2020 (I believe this was a typographical error, meant to mean 2021) and refunded him £507 to reflect his payments. It also offered him £100 compensation for his time spent without heating and hot water. British Gas did not consider that it had been negligent at previous inspections, however, and noted that corrosion can develop very quickly. Mr H was not happy with this and contacted us.

Our investigator considered this matter and did not uphold Mr H's complaint. They considered that Mr H had benefitted from the insurance elements of the policy and they did not consider that British Gas had failed in its annual services by not observing the corrosion as the agreement was not a maintenance agreement, but an agreement for breakdown cover. They therefore thought that British Gas's offer of £100 to reflect the inconvenience was sufficient.

Mr H did not accept that view and asked for an ombudsman decision.

I made some enquiries with the parties and issued a provisional decision in respect of this complaint in November 2022. In that provisional decision I explained that I thought British Gas has accepted that the boiler condemnation was akin to a breakdown which could not be repaired, so it had offered a refund of premiums for that year.

I set out that I thought that this was reasonable, and that I accepted that Mr H had had the benefit of cover for the preceding years, but that I considered that the annual services he had received in 2019 and 2020 had been deficient. I therefore thought that the portion of premiums which reflected those services should also be refunded.

That provisional decision has been shared with the parties and they have been invited to comment.

British Gas has not responded to the decision.

Mr H has made some additional submissions.

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.

Mr H has set out that he feels very let down by British Gas and that he considered that an integral part of the annual service was to identify wear and tear. He was concerned that the cylinder had been so corroded that it could have flooded his home at any time. He also notes that his family was disrupted and had to change their arrangements due to the lack of heating at home after the boiler was condemned.

I do not dispute any of Mr H's submissions and I agree that the annual service ought to have identified the corrosion at an earlier point. I don't, however, see that the ultimate outcome would have been substantially different if the corrosion had been noticed at an earlier time.

The corrosion on the cylinder could not have been reversed and it would have continued to worsen at some rate. In my view the impact upon Mr H was that he did not get advance notice of the corrosion, and he was not able to choose a better time to replace the system, rather than be caught out by the sudden discovery and condemnation of the boiler.

As I previously indicated, the system would have required replacement at some point, and this would likely have been earlier if the corrosion had been noticed earlier.

I therefore do not think that the actual impact on Mr H was severe, although I appreciate that the outcome could have been much worse for him had the cylinder ruptured. We only consider the effects that occurred, however, and not those that could have happened.

I remain of the view that the failure to observe the corrosion showed that the annual services were not adequate, and that Mr H had not received the appropriate service for at least the preceding two years. I therefore remain of the view that the premium for those services ought to be refunded.

The submissions received do not alter my view expressed in the provisional decision and I consequently adopt that decision and reasoning as my final decision.

Putting things right

In order to put things right, I consider that British Gas should refund the premiums paid for the insurance year up to October 2021, and also refund the proportion of the premiums for 2019 and 2020 which represented the cost of an annual service.

I appreciate that Mr H does not consider that this is sufficient compensation, but I am satisfied that it is in line with other awards we have made in similar circumstances.

My final decision

For the reasons given above, and in my provisional decision I uphold Mr H's complaint and direct British Gas Insurance Limited to:

- Refund to Mr H his premiums paid for the insurance period up to October 2021;
- refund to Mr H the portion of his premiums for 2019 and 2020 which reflected the cost of the annual service; and
- pay to Mr H £100 compensation for his distress and inconvenience.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H to accept or reject my decision before 1 February 2023.

Laura Garvin-Smith
Ombudsman