

## **The complaint**

Miss B complains about Aviva Insurance Limited's proposed settlement of a claim she made on a home emergency insurance policy.

## **What happened**

Miss B holds home emergency insurance with Aviva. When her boiler broke down, she made a claim on the policy.

Aviva's engineer concluded that repairs to the boiler weren't economical, and so Miss B would need a new boiler. The terms and conditions of the policy covered the new boiler but said Miss B would need to cover the installation costs.

Miss B complained to Aviva. She said the installation costs being quoted were excessive and significantly more than she'd been quoted privately.

When Aviva rejected her complaint, Miss B referred it to our service. Aviva said that, as a gesture of goodwill, it would pay Miss B the cash equivalent of what it would pay for the boiler, leaving her to purchase and install this privately.

Our investigator didn't think this was a fair outcome. It was noted that, because of the discounts available to Aviva, the amount Aviva was offering wouldn't enable Miss B to purchase the boiler. She thought that Aviva should pay the cost Miss B would pay for the boiler. Aviva didn't accept this and asked for an ombudsman's decision.

## **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.

Some relevant points here aren't disputed. The first is that Miss B's boiler needed replacing, as it wasn't economical to repair the broken boiler. Aviva's accepted the claim is covered. The relevant condition of the policy says:

*"If it is 7 years old or older we will source and replace your boiler through our approved installer and you will be required to pay the installation cost. A survey will be completed and an individual quotation will be provided."*

It also isn't disputed that Miss B's boiler was more than seven years old, and that as a result she's liable for the installation costs of the new boiler.

The issue I need to address is whether either of Aviva's offers to settle the claim are fair. It's said, in effect, that Miss B can choose between using its approved installer (and paying the installation costs), or paying her the cash equivalent of what it would pay for the boiler, allowing her to purchase the boiler and pay for installation herself.

We've asked Aviva whether it would supply the boiler to Miss B, allowing her to arrange and pay for the installation. Aviva declined to consider doing so.

Aviva's position is that the terms and conditions are clear in saying that the only option provided by the policy is for its approved installer to be used, and for their costs to be met by Miss B. It says that in offering to pay Miss B the cost of the boiler it would incur it's acting fairly and beyond the limits of cover.

I don't dispute that the policy condition is clear about the installation costs and use of Aviva's approved installer. However, I need to consider whether a rigid application of the condition is fair in the circumstances. I don't think it is.

The intention of the policy condition is clear, in my opinion. Aviva won't be liable for installation costs where the boiler being replaced is more than seven years old. That's a commercial decision of Aviva and not a point of complaint and I use this as my starting point.

The quote for Aviva's approved installer is significantly more than Miss B has been quoted, and no reasonable explanation has been given for why Aviva's approved installer's quote is so much higher than what Miss B's been provided.

So it's apparent that if Miss B were to use Aviva's approved installer, she'd be paying much more than if she used the one she found. This would be for the installation of the same boiler.

The other option Aviva's offered is for Miss B to purchase and install the boiler, and it will pay her the amount it would have cost Aviva to purchase the same boiler. It's accepted that the amount Aviva would pay for the boiler is more than £500 less than the amount Miss B would pay for the same boiler. Aviva has the advantage of discounts which aren't available to Miss B.

Choosing either of the above options would lead to Miss B paying more to replace the boiler than she should. I'm satisfied that the intention of the cover is for Aviva to cover the cost of the replacement boiler, with Miss B being responsible for the installation costs. Either she accepts Aviva's approved installer, and pays a much higher amount for the installation with Aviva supplying the boiler, or she purchases the boiler, with Aviva effectively contributing a portion of the cost, and pays for the installation. I don't think either option treats Miss B fairly. The first option leads her to paying a higher amount for installation, while the second option doesn't actually result in Aviva covering the cost of the boiler, which it should do.

The alternative option would have been for Aviva to supply the boiler to Miss B and allow her to arrange for installation. By doing so it would be able to limit the cost of the boiler to its usual cost, while leaving Miss B free to arrange installation at her own cost. Aviva's said it won't do that.

As Aviva has declined to supply the boiler to Miss B without installation, I think that to put things right Aviva should pay Miss B the amount she'd pay for the replacement boiler, not what it would cost Aviva to supply it. By doing so, Aviva is discharging its obligation to cover the replacement boiler cost, while leaving Miss B liable for the installation costs.

### **My final decision**

It's my final decision to uphold this complaint. In order to put things right, Aviva Insurance Limited must pay Miss B the standard cost of the replacement boiler of the same make and model that it originally intended to supply.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss B to accept or reject my decision before 26 July 2023.

Ben Williams  
**Ombudsman**