

The complaint

Mr S complains about the service he got from British Gas Insurance Limited (British Gas) and about its decision to turn down his claim on his home emergency insurance policy.

What happened

Mr S was having an extension to his house built. When digging, his builders found a corroded pipe that was leaking. Mr S made a claim on his home emergency insurance policy to get the leak fixed.

The British Gas agent who visited Mr S's home reported Mr S's builders had found an "*old corroded mains*" water supply pipe that was leaking. Mr S says the agent initially indicated British Gas would replace the corroded pipe but, on speaking to British Gas' validation team, then changed his mind and said the claim wasn't covered. This was on the basis the damage had been caused by Mr S's builders and his policy excluded third party damage.

Mr S disputed this, so British Gas asked him for evidence the leak wasn't caused by the builders. Mr S got details of his water usage from his water company showing it had increased from 2014 and he said this could be evidence of a leak. Since Mr S didn't take his policy out until 2021, British Gas changed its view on the cause of the leak and said it was a pre-existing fault, which also wasn't covered under his policy.

When Mr S complained to British Gas about this, it didn't uphold his complaint although it did offer Mr S £50 in compensation as a gesture of goodwill for the poor service he'd had. Unhappy with this outcome, Mr S brought his complaint to us. The investigator who looked at it didn't uphold it. She thought Mr S ought reasonably to have known there was a water leak before he took the policy out.

Mr S disagreed. He said, among other things, he felt he'd been misled by British Gas throughout. In my provisional decision of 6 March 2023, I explained why I intended to uphold one part of Mr S's complaint but not the other part.

Mr S says he accepts my provisional decision. British Gas says it doesn't. Mr S's complaint has now come to me for a final 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.

Having done so, and for the reasons given in my provisional decision, I've decided to uphold one part of Mr S's complaint but not the other part. Here is what I said in that decision:

"Looking first at Mr S's claim. His home emergency insurance policy with British Gas says he's covered for repairs to, among other things, his water supply pipe. And this is the pipe British Gas' agent in his visit report says was corroded and leaking."

But Mr S's policy also has a number of exclusions. Two of them are relevant here. The first is that, if anyone other than British Gas has carried out work on the water pipe and damages it, Mr S's cover doesn't include putting that right. The second is that Mr S's policy doesn't cover pre-existing faults, which includes a fault that existed when he took the policy out.

British Gas has relied on both of these exclusions to turn down Mr S's claim. Initially, it said Mr S's builders caused the damage by disturbing the ground when digging the extension. From internal records it has shown us, British Gas's rationale for this was that there was no way to prove there was a leak before the builders started to work on the extension. Subsequently, British Gas has relied on the exclusion for pre-existing faults to turn down Mr S's claim. This is on the basis that the evidence Mr S gave it of increased water usage from 2014 showed the pipe was leaking before Mr S took the policy out in 2021.

This is the only evidence I've got to go on in deciding this complaint. So at first British Gas said Mr S's builders were at fault for the leak but then, when he got details of his increased water usage since 2014, it said there was an ongoing leak over a number of years. Apart from the water usage information Mr S got, he hasn't given us any other evidence to show what might've caused the leak.

The one thing that does seem clear from the evidence I've got is that the water pipe was corroded. Mr S says this is what British Gas' agent told his wife and (as I've mentioned) the agent referred to an "old corroded mains" in his visit notes. British Gas has also sent us a photo of the pipe taken by its agent during his visit. I am not an expert but, from the photo, the pipe looks old and corroded.

This is difficult and finely balanced because of the limited evidence I have. But I think it's likely a corroded pipe would leak. And I think it's likely corrosion to a pipe happens slowly over time. So, on balance, I think it's more likely than not Mr S's water pipe was corroding and leaking before he bought the policy in 2021. And that means I don't think British Gas has treated him unfairly or unreasonably in turning down his claim on the basis that there was a pre-existing fault with the pipe.

Mr S is unhappy British Gas first told him his claim was accepted, then turned it down as third-party damage, then turned it down as a pre-existing fault. I'm not surprised Mr S is unhappy and confused. He made a number of calls to British Gas at the time trying to understand what was happening with his claim, and also went to the trouble of contacting his water company for details of his water usage. If British Gas had given Mr S a clear explanation for turning down his claim at the beginning, I think a lot of the extra effort Mr S went to could've been avoided.

British Gas has offered (and I believe paid) Mr S £50 as a goodwill gesture for the poor service it gave him. I think this mostly relates to a failed call-back and the time it took to deal with Mr S's complaint. But I intend to direct British Gas to pay Mr S additional compensation of £100. I think this is fair and reasonable for the distress and inconvenience British Gas caused Mr S by giving him inconsistent and contradictory reasons for turning down his claim."

As I've mentioned, Mr S accepts my provisional decision but British Gas doesn't. British Gas says that, within a matter of days of Mr S giving it evidence of his increased water usage from 2014, it made its position known to him – that is, that it was turning down his claim because of a pre-existing fault. So it doesn't think this would've caused Mr S any additional distress and inconvenience.

It seems to me British Gas's argument is based on the assumptions that (a) Mr S's increased water usage was due to a leak and (b) Mr S ought to have known about the leak.

Mr S has said he didn't know at the time, and still doesn't know, if the increase in water consumption was due to the damaged pipe. And Admiral has given us no evidence to support either of the assumptions it's making. We are an evidence-based service and, without evidence to support its assumptions, I'm not persuaded by British Gas' argument here. So it doesn't change my conclusions on this complaint.

My final decision

For the reasons given here and in my provisional decision of 6 March 2023 (which now form part of this final decision), I uphold Mr S's complaint and direct British Gas Insurance Limited to pay him £100 in compensation for the distress and inconvenience its handling of his claim has caused him (this is in addition to the £50 compensation it has already paid Mr S).

British Gas Insurance Limited must pay this compensation within 28 days of the date we tell it Mr S has accepted my final decision. If it doesn't, British Gas Insurance Limited must pay Mr S simple interest at the rate of 8% a year from the date of my final decision to the date of payment.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 20 April 2023.

Jane Gallacher
Ombudsman