

The complaint

Mrs K complains that UK Insurance Limited trading as Privilege haven't correctly applied the terms of their policy which apply when a boiler is deemed beyond economic repair (BER).

What happened

Mrs K holds a heating cover insurance policy with Privilege which offers a £250 contribution to a new boiler if it is deemed BER.

During an annual boiler service in January with her own engineer, Mrs K was advised that her boiler was leaking carbon monoxide and the engineer disconnected the boiler saying it was condemned.

Mrs K contacted Privilege and they said their own engineer would need to attend to see if it was BER. The engineer attended but was unable to assess the boiler without reconnecting it - which was a health and safety risk. He told Mrs K that the boiler was irreparable and offered to quote her privately for a new one.

Mrs K then arranged for installation of her new boiler and sent the quotes to Privilege as requested by them.

Privilege refused to pay Mrs K's claim, saying their engineer couldn't complete an assessment of BER because the boiler had previously been condemned and he couldn't turn it on to check as it was a health risk.

Privilege say that they will only pay the £250 if the boiler is deemed BER by one of their own engineers.

Mrs K was unhappy with this response and brought her complaint to us. One of our investigators has looked into Mrs K's complaint and he thought Privilege should pay the £250 contribution.

Privilege disagreed with our investigators view, and so the case has come to me to review.

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.

In this case I have to decide is whether Privilege have complied with the terms and conditions of the policy and acted fairly in the way they have dealt with the claim.

The policy says:

"The policy states the following: "If we find out your boiler is beyond economic repair, we will pay £250 towards the cost of a new one".

Beyond economic repair (BER) is defined in the policy as

“When the cost of repairing your boiler exceeds 85% of the manufacturers 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.”

Privilege say that they cannot be sure that the boiler was BER because when their own engineer attended the property, he was unable to make that assessment as the boiler was already disconnected. Similarly they say they haven't received any evidence from Mrs K's own engineer that the boiler was BER within the definition provided in their terms and conditions.

Although they accept that Mrs K's own engineer had disconnected it because it was spilling carbon monoxide, they say that a boiler being “at risk” or “immediately dangerous” doesn't mean it can't be repaired – and so it may not have been BER.

I agree with the investigator that the policy wording doesn't specify that the BER assessment has to be completed by one of their own engineers. And so I don't think it would matter if the BER assessment had been made by Mrs K's engineer, as long as it was in line with the definition of BER in the policy.

However, Mrs K wasn't told that she needed a BER assessment from her own engineer to make a claim. In the initial call she was just told that one of Privilege's engineers would need to check it.

It was January and I can understand why Mrs K would want her boiler replacing as soon as possible after she discovered it was condemned, and why she went ahead with the replacement shortly after the engineer's visit.

So, whilst I'm satisfied no proper BER assessment was carried out either by Mrs K's engineer, or Privilege's engineer, I don't think the need for this in order to claim was properly explained to Mrs K.

In addition, Privilege's engineer came to the property, saw the boiler, and had the opportunity to examine it and establish if it was in fact repairable. He chose not to reconnect it and make that assessment and no one explained to Mrs K what the impact of that would be. I accept that the engineer may have felt there was a safety issue in reconnecting the boiler, but I don't think that it is fair for Privilege to decline the claim because their own contractor was unable to make the assessment. Mrs K couldn't have asked her own engineer to leave the boiler connected and leaking poisonous gas just so that Privilege's own contractor could assess it.

I'm satisfied that Mrs K has followed Privilege's instructions and done everything that she can to ensure that she complied with the policy terms for a claim, and it is therefore fair and reasonable for Privilege to pay her the £250 towards the cost of a new boiler.

Putting things right

In order to put things right, Privilege should pay Mrs K

- £250 towards the cost of her new boiler
- 8% interest on that sum from the date the claim was declined until the date of settlement.

My final decision

My decision is that I uphold Mrs K's complaint, and direct UK Insurance Limited trading as Privilege to put things right as above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms K to accept or reject my decision before 21 August 2023.

Joanne Ward
Ombudsman