

The complaint

Mr P has complained about the service provided under his boiler and central heating insurance policy with British Gas Insurance Limited.

What happened

Mr P held the policy with British Gas covering the boiler, central heating plumbing and drainage of a rental property for a number of years. The policy included an annual service of the heating system. The last annual service was carried out in February 2022 and the policy ended in May 2022.

In December 2022, Mr P's water cylinder started to leak and had to be replaced. Mr P says his engineer told him the cylinder had leaked because the sacrificial anodes on the cylinder had not been properly checked each year, in accordance with the manufacturer's instructions, during the annual service. Mr P says the cylinder had a 25 year warranty and was around 14 years old when it failed, so would have lasted a lot longer if British Gas had serviced it properly, as it should have done. Mr P wants British Gas to reimburse him the cost of the replacement cylinder, which was around £2,000.

British Gas says it only carries out a visual check of water cylinders during the annual service, as they are not always easily accessible, and would not do anything more unless there was a problem. British Gas also said that checking the anodes was not part of its annual inspection. British Gas says the pictures provided by Mr P show slight corrosion to the anodes, which is normal and the leak was from the immersion element, which can be independently replace. The external corrosion on the anodes would not have warranted any action under the policy and they would not have needed to be changed. British Gas also said in its response to the complaint that it was for Mr P to check the anodes.

One of our Investigators looked into the matter. He concluded that the policy terms which set out the British Gas will carry out an annual service of the boiler and cylinder did not make clear that this would not be in accordance with the manufacturer's instructions. The Investigator thought this was a significant restriction on the cover being provided, which should have been made clear to Mr P when he took out the policy.

The Investigator didn't think that British Gas should pay the whole cost of replacing the cylinder, however, as he considered it likely it would have needed replacing at some point but the evidence supported that this had happened sooner than otherwise would have been the case. The investigator therefore recommended British Gas pay £200 compensation for the trouble caused to Mr P.

Mr P does not accept that the £200 compensation recommended by the Investigator is enough. Mr P said that failing to follow the manufacturer's instructions is a serious safety issue and British Gas should not be working on systems in this way. British Gas provided continuous cover for the cylinder for over 13 years. It is not a British Gas policy to not follow manufacturing instructions, it does so in other cases but not in his case, so it was an oversight and failure to comply with the contract.

British Gas has not specifically said it does not accept the Investigator's assessment but said again it does "*not undertake annual services on cylinder only a visual check of condition and working safety devices*". It said Mr P's was a specialist cylinder and any further requirement would be in the manual.

As the Investigator was unable to resolve the complaint, it was passed to me. I issued a provisional decision on the matter in July 2023, in which I said the following:

"Mr P's policy states that it includes an annual service, which is defined as follows: "*annual service - a check in each period of agreement to ensure that your boiler, gas appliance or central heating, and ventilation is working safely and in line with relevant laws and regulations*".

British Gas seems to accept that this annual service would include the water cylinder but [says] that it would amount to a visual check for any obvious issues only.

Mr P provided an email from the cylinder manufacturer dated 3 March 2023, which says the sacrificial anodes are anti-corrosion anodes and that they should be serviced each year by draining the cylinder and removing the anodes.

Mr P also provided a photograph of a label attached to the cylinder, which says: "*IMPORTANT: No longer than every 12 months, the magnesium anti-corrosion anodes must be checked by your service engineer/installer*".

Mr P has said that British Gas does carry out services in accordance with manufacturer's instructions in other cases but just didn't do so in his case. However, British Gas has said that it is its normal procedure to only carry out a visual check on cylinders and I have no reason to doubt that.

It seems clear to me that British Gas's definition of an annual service is not the same as the manufacturer's definition or most peoples' general understanding of what an annual service would entail. I can't see that British Gas has made it sufficiently clear to its policyholders that the annual service would involve only a visual check of the water cylinder and would not be in line with the manufacturer's instructions. I therefore think it's misleading to call it an annual service, when that has a different meaning to most people. I don't think the policy is clear enough.

Given this, I have to consider what impact this has had on Mr P.

Mr P's engineer said there was "*visible corrosion externally around the anodes and the direct immersion heating element. This indicated that the cylinder had not been maintained and serviced as per the manufacturer's instructions to remove anodes yearly and replace them if showing any signs of corrosion... Due to the incorrect annual servicing, it is my opinion that this caused the premature failure of the cylinder and it needed to be replaced.*"

I am therefore satisfied that if the cylinder had been serviced properly in the 13 years it was covered by British Gas, it would probably not have needed to be replaced for a number of years.

However, I can only hold British Gas responsible for that if I think Mr P would have acted differently, had he known that the British Gas service was limited to a visual inspection.

If Mr P had known his cylinder was not going to be serviced properly under the British

Gas policy, he might have arranged additional annual services for the cylinder himself, or taken steps to check the anodes himself. Mr P might also have changed to a different provider. It is difficult to be sure now what Mr P might have done but I think it is likely he would have arranged a check at some point in the 13 years, if not every year and this would likely have extended the lifespan of the cylinder somewhat. It may not have extended it to the full warranty period or beyond, however.

Having considered everything, I don't think I can therefore reasonably ask British Gas to pay the whole replacement cost of the cylinder but I think British Gas should pay towards the replacement. I think a total of £600 is reasonable to reflect the possibility that Mr P would have had the cylinder serviced in accordance with the manufacturer's instructions, if he had known the limitations of British Gas's service; and that it is likely the life of the cylinder might have continued without needing to be replaced for some time longer. It is not an exact science but I consider this to be reasonable having considered everything."

I invited both parties to respond to my provisional decision with any further information or arguments they want considered.

British Gas does not accept my provisional decision. It has said again that the annual service it provides is a check that the central heating system is working safely. It quoted parts of the policy that state it is not responsible for loss or damage caused by the failure of parts of the central heating system, unless it has caused it.

British Gas also says that if Mr P was aware the manufacturer's instructions for his cylinder, he should have brought this to its engineer's attention during the annual services. It could have serviced the cylinder but this would have been chargeable as it would take two to three hours to drain it down and replace the anodes. British Gas says Mr P has only been made aware of the situation with the cylinder by his own engineer. It therefore does not agree it is reasonable to require it to pay £600 towards the new cylinder.

Mr P does not accept my provisional decision either. Mr P says the total cost of the replacement cylinder was £2,160. The lifespan of the cylinder should have been 25 years. It is only impossible for me to determine how much longer his cylinder would have lasted because of British Gas's failings and it is unfair to penalise him for this. He has lost around 12 years of lifespan of the cylinder, so should get the equivalent proportion of the replacement cost (which he works out as being £1,036.80), rather than the £600 I proposed.

In addition, Mr P says this would only be compensating him for the financial loss caused to him and not the inconvenience and stress of having to deal with the situation, which includes having the tank fail and leak just before Christmas, when it was particularly difficult to find any plumbers. All of this could have been avoided, if British Gas had serviced his cylinder as it should have done.

Mr P also says that if he had known British Gas did not service the cylinder in accordance with the manufacturer's requirements, he would have cancelled the cover and gone with another provider.

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.

British Gas says that if Mr P had wanted the cylinder serviced in accordance with the manufacturer's instructions he should have told it about this and it would have been chargeable as a separate service. It suggests he did not know that it needed servicing in this way until after the leak.

I agree it is likely Mr P did not know about the manufacturer's instructions for his cylinder until after it leaked. I say this because it seems to me he would have raised the issue before if he had known that it should have been drained and the anodes replaced each time; and he told us that he does not recall any engineer attending to service the heating system saying the anodes had been replaced.

However, having said that, Mr P took out this policy in order to insure his central heating system. The policy states it will carry out an annual service of the central heating system, so this implies it would be in accordance with manufacturer's instructions and Mr P would therefore have had a reasonable expectation that the cylinder was being properly checked (even if he didn't know exactly what that check should involve). As stated in my provisional decision, I think British Gas's statement that it carries out an annual service is misleading when it means it will do a visual check only.

In order to determine if this caused any loss to Mr P, I have to consider what Mr P would have done differently, if he had known British Gas's version of an annual service involved a visual check of the cylinder. This is the fair way to determine the actual impact on Mr P of British Gas's failure to make clear the extent of the checks it was carrying out.

As stated in my provisional decision, it is difficult to be sure now what Mr P might have done but I have to decide what I think is most likely.

Mr P says that he would have taken cover with another provider if he had known. However, I don't have any evidence of other providers that would have serviced the cylinder in accordance with the manufacturer's instructions or, the cost of any such cover. I have also not seen any evidence of the cost of having the cylinder serviced separately. It seems likely to me that there would have been some additional cost to Mr P, if he had found cover elsewhere that would have included this, or if he had the cylinder serviced separately himself.

There is also a possibility that Mr P would not have done anything differently, if he had been told that the service carried out by British Gas would have involved a visual check of the cylinder and further investigation if anything spotted. Given, I think it is likely Mr P was not aware of the manufacturer's instruction to drain the cylinder and replace the anodes each year, I think there is some room for doubt.

However, having considered everything, I remain of the opinion that it is likely that at some point in the 13 years before the cylinder leaked, Mr P would have arranged a proper check/service of the cylinder even, if not every year, and this would likely have extended the lifespan of the cylinder somewhat.

I do not think that it is possible to say exactly how long the cylinder would have lasted, as this would have been subject to a number of variables not just the lack of servicing. Having considered everything, I still consider that a contribution to the cost of the replacement is appropriate.

In my provisional decision I explained why I could not calculate exactly what loss was caused to Mr P and that I had to make a '*rough and ready*' estimate of the financial loss to him.

Mr P says he should not be penalised for the fact it is difficult to say for sure what would have happened, as this is due to British Gas's failings. I appreciate it is difficult for him to prove what he might have done and how much longer the cylinder would have lasted after the event. However, I have to consider the fair and reasonable outcome of the complaint and that requires me to consider the evidence as it is available now and determine what I think is most likely to have happened if British Gas had been clearer about the checks it was carrying out. I remain of the opinion that the sum of £600 is appropriate.

Mr P also says this does not compensate him for the trouble the leak caused. However, I am upholding the complaint and making an award because I think it is likely that his cylinder would have lasted a while longer before failing, if British Gas had been clearer about the checks it was carrying out. But it has not been established that British Gas caused it to fail, so I do not think it is responsible for the trouble caused by the fact of the cylinder failing, only that this happened a while sooner than otherwise might have been the case. I therefore still consider £600 to be appropriate compensation overall.

My final decision

I uphold this complaint and require British Gas Insurance Limited to pay Mr P the sum of £600 towards the cost of the replacement water cylinder.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr P to accept or reject my decision before 6 October 2023.

Harriet McCarthy
Ombudsman