

The complaint

Mrs F complains about Domestic & General Insurance Plc ('D&G')'s handling of a claim on an insurance policy for a kitchen appliance.

Mrs F is represented in her complaint by a third party but, for simplicity, I'll refer mainly to Mrs F in my decision.

What happened

Mrs F took out a D&G insurance policy in February 2019 covering breakdown and accidental damage to a tumble dryer. In September 2022, the dryer suffered a serious malfunction, and Mrs F made a claim on her insurance. In summary:

- 12 September. Mrs F reported a fault with her dryer to the manufacturer.
- 21 September. An engineer visited Mrs F's home to fix the dryer. Mrs F used the dryer later that day and it caught fire. The fire brigade attended, put out the fire, and moved the dryer outside for safety. Mrs F told D&G about this. She explained that the dryer was in a communal area and wasn't secure.
- 26 September. The manufacturer agreed to replace the dryer in exchange for the old one.
- 28 September. The dryer was stolen from outside Mrs F's home. Mrs F notified D&G and the manufacturer.
- 29 September. The manufacturer withdrew its offer to replace the broken dryer because it was unable to collect and inspect it.
- 29 September. Mrs F bought a replacement.
- 24 October to 3 November. Mrs F's representative asked the manufacturer to pay for the replacement dryer. The manufacturer refused and referred her to D&G.
- 3 November. Mrs F's representative contacted D&G.
- 9 November. D&G agreed to pay a cash settlement for the replacement dryer.

On 22 November, Mrs F – through her representative – contacted D&G when she didn't receive the settlement. When D&G didn't respond to further emails, she referred her complaint to this service. She wants D&G to honour its offer to refund the cost of her replacement dryer.

Our investigator recommended that Mrs F's complaint be upheld in part. He was satisfied that D&G was liable for a replacement dryer. He thought it should refund Mrs F the cost of a like-for-like replacement (£289), plus delivery costs. He also thought D&G should pay Mrs F £100 to apologise for the delay in settling her claim.

D&G disagreed with our investigator, so the case was passed to me to review.

My provisional decision

I issued a provisional decision on this complaint on 25 October 2023. I said I'd reached broadly the same conclusions as our investigator but for slightly different reasons and set out

my findings as follows:

"I think it's important to note that Mrs F has spoken to both the manufacturer and D&G about her broken dryer. For the avoidance of doubt, I can only consider the actions and responsibilities of the insurer (D&G) because that's the business that comes under this service's jurisdiction.

Our investigator concluded that the engineer's repair caused the fire. I'm not convinced that's right. It's obvious the dryer was damaged before the engineer tried to fix it. There's no evidence showing what caused the malfunction and the manufacturer couldn't inspect the dryer because it was stolen from outside Mrs F's home. So I accept D&G's argument that there could be another explanation for the fire.

However, I don't think I need to determine what caused the fire. Based on Mrs F's account – which D&G says it accepts – the dryer caught fire when she was using it. I think most people would agree this suggests some sort of mechanical or electrical breakdown. Mrs F's policy covers her for breakdown after the manufacturer's guarantee. Under the policy terms, D&G should "arrange a replacement or pay the cost of a replacement appliance".

I haven't seen the original manufacturer's guarantee, but I've assumed it had expired for two main reasons:

- 1. Typically, manufacturer guarantees are for one or two years. Mrs F bought her dryer in February 2019, more than three and a half years before it broke down.*
- 2. D&G hasn't argued that the breakdown term doesn't apply. Its November 2022 assessment of Mrs F's claim concluded: "Customer's appliance was not left in good working order on 21/09/22 **and is covered for replacement if their appliance is beyond repair.**" [emphasis added]*

Instead, D&G has argued that Mrs F "was not entitled to a replacement under the terms of her plan as the exchange offered by [the manufacturer] was due to a recall, this is explicitly not covered under the plan terms." It referred to the relevant policy exclusion: "We shall not be liable for... replacement or recall of the appliance (or any part) by a supplier or the manufacturer."

In my opinion, that's a misinterpretation of what happened here. Mrs F's dryer wasn't recalled by the manufacturer. It caught fire due to a mechanical or electrical breakdown and, as a result, was damaged beyond repair. The manufacturer wanted to collect it to investigate why this happened. That's a completely different situation to a product recall. And, as I've said, this argument contradicts D&G's initial assessment in November 2022.

D&G phoned Mrs F on 9 November and told her it would pay a cash settlement. I've listened to this call. The key exchange is as follows:

- D&G: "What I'm going to do is pass the claim through to our Product Replacement Team for you."*
- Mrs F: "The thing is we've actually bought a new machine."*
- D&G: "I thought that might have been the case, to be fair. Once we've passed the claim though to Product Replacement they can look into a cash settlement for you rather than actually supplying a physical machine."*
- Mrs F: "That would be lovely thanks."*
- D&G: "Not a problem. Now they'll aim to get in contact with you within around 48 working hours [sic] and that's normally via email. Is that ok?"*
- Mrs F: "Yes that's perfectly fine."*

- D&G: "... Ok now I'm going to put the authorisation on here that we're going to do a cash settlement for you, but it may be an automated write-off that goes through where you get replacement offers. If that is the case I just ask that you pop onto the live chat that's on the link, ask them to just have a look at the notes on your file, and they'll see the cash settlement is on there and they'll process it for you through that live chat."
- Mrs F: "Ok that's lovely. Thank you."

D&G's letter to Mrs F the same day said: "...we're pleased that we were able to find a solution and we hope that you're happy with the outcome we agreed." It didn't set out exactly what that solution was and what would happen next. I think it would have been helpful if D&G had done this.

I'm satisfied that D&G told Mrs F it would contact her to arrange the cash settlement. The evidence I've seen shows it didn't email her, didn't send her a link to the live chat, and didn't contact her again before her representative chased a response on 22 November.

D&G told us: "...the cash settlement was authorised but I cannot see where the customer has spoken to our Product Replacement Team and any payment was discussed". But that isn't what it told Mrs F. It told her its Product Replacement Team would contact her to arrange the cash settlement. And when Mrs F's representative chased D&G for an update on 22 November, it simply replied: "I can confirm that I have investigated a complaint on behalf of [Mrs F] and we have come to an outcome that [Mrs F] has accepted."

I think there were three key failings by D&G. First, it didn't settle the claim as promised. Second, it didn't explain the settlement offer to Mrs F's representative when she asked for an update in November 2022. Third, it didn't reply to Mrs F's representative's emails after 22 November.

I also think D&G could have paid the cash settlement directly into Mrs F's bank account, as I've seen it do for other claims, rather than suggest Mrs F use the 'live chat' function on its website. Indeed, it told us it could arrange this kind of transfer in its email to our investigator on 31 January 2023.

To put things right, I think D&G should honour its original offer to refund the cost of Mrs F's replacement dryer. Mrs F has provided a receipt showing that on 29 September 2022 she paid £479 for a new dryer, plus £20 for delivery.

D&G says Mrs F's new dryer is a "substantial upgrade" on what she was entitled to under her policy. It told us it would have offered her a cash settlement based on a replacement dryer costing £289. While D&G hasn't explained why Mrs F's new dryer is a substantial upgrade on her old one, I've found a similar make and model to her old machine costing around £300. So I understand why D&G thinks it shouldn't have to cover the full cost.

I've thought carefully about this and how much D&G should refund. Normally, I'd order it to refund the cost of a like-for-like replacement, plus delivery – as per the policy terms – and pay additional compensation to reflect the distress and inconvenience its handling of the claim caused Mrs F.

However, in this case I think a fair resolution would be to ask D&G to refund Mrs F the full cost of her new dryer – rather than the cost of a like-for-like replacement – plus interest from the date of its original offer. I don't intend to make any other order or award."

Responses to my provisional decision

Mrs F told us, through her representative, that she was happy with my provisional decision.

D&G didn't accept my provisional decision, although it made a new offer. In summary:

- It disagreed with my finding that this wasn't a product recall. It said the manufacturer "*recalled that particular machine as unsafe*".
- It provided a screenshot showing it emailed Mrs F on 9 and 11 November 2022, as well as copies of the emails it says were sent on those days. The first email included a link to the 'live chat' function on its website.
- It provided some more detail about why Mrs F's new dryer was an upgrade on her old one.
- It accepted that its case handler could have done better when Mrs F's representative contacted it in November 2022 ("*...there is an argument that the case handler could have explained what needed to be done in more detail or she could have processed the settlement herself*").

D&G offered to cover the full cost of Mrs F's new dryer (£479) but doesn't think it should pay the cost of delivery or interest.

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.

I've thought very carefully about D&G's response, but it doesn't change my findings. I'll explain why.

In my opinion, D&G's suggestion that this was a product recall by the manufacturer is wrong for the reasons I set out in my provisional decision: "*Mrs F's dryer wasn't recalled by the manufacturer. It caught fire due to a mechanical or electrical breakdown and, as a result, was damaged beyond repair. The manufacturer wanted to collect it to investigate why this happened. That's a completely different situation to a product recall.*"

Mrs F clearly didn't receive the emails D&G says it sent her, otherwise there'd be no reason for her representative to ask for an update on 22 November. More importantly, when her representative asked for this update, D&G simply replied that it had agreed an outcome with Mrs F. It didn't mention that it had sent her any emails or explain how Mrs F could get her refund. If it had done this, I think it's likely the matter would have been resolved immediately. D&G acknowledged this in its response to my provisional decision.

Finally, D&G didn't explain why it shouldn't pay either delivery or interest. However, Mrs F's policy says D&G will pay for the delivery of any replacement machine. So I think it should refund the £20 delivery charge. Also, this service typically asks a business to pay interest from the date the customer should have had their money. In this case, I think D&G should have refunded Mrs F on or around 9 November 2022. So I think it's fair to add interest from that date.

I said in my provisional decision that I thought there were three key failings by D&G: "*First, it didn't settle the claim as promised. Second, it didn't explain the settlement offer to Mrs F's representative when she asked for an update in November 2022. Third, it didn't reply to Mrs F's representative's emails after 22 November.*" D&G's response hasn't changed my mind on this.

D&G has offered to refund the full cost of Mrs F's new dryer. I'm glad it's agreed to do this. But, for the reasons set out above, I think it should also pay the cost of delivery and pay interest on the refund.

My final decision

My final decision is that I uphold the complaint for the same reasons set out in my provisional decision. I order Domestic & General Insurance Plc to:

- Refund Mrs F the full cost of her new tumble dryer, plus delivery, as set out in the 29 September 2022 receipt (£499).
- Add interest to this amount at 8% simple per year from 9 November 2022 to the date of settlement*.

*If D&G considers that it's required by HM Revenue & Customs to deduct income tax from that interest, it should tell Mrs F how much it's taken off. It should also give Mrs F a certificate showing this if she asks for one, so she can reclaim the tax from HM Revenue & Customs if appropriate.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs F to accept or reject my decision before 30 November 2023.

Simon Begley
Ombudsman