

The complaint

X complains about British Gas Insurance Limited's (BG) poor service, following a claim under his home emergency policy.

What happened

X held a landlord policy with BG, his tenants contacted BG as there was an issue with the boiler. It sent an engineer who diagnosed that the heat exchanger was blocked with sludge. The engineer said that he left a report with X's tenants and requested that a quotation for a replacement heat exchanger, be given to X. X said that he didn't receive this quote.

X said that the cover that he held with BG, included parts and labour, so he shouldn't be charged for the heat exchanger. BG explained to him that sludge was present. It also said that previously it had told him that, any further repairs where it was identified that sludge was present, wouldn't be covered under the policy.

X said that due to BG's delay in dealing with his claim, he was essentially forced to obtain a new boiler from a third-party. And the boiler that was installed, cost him £1,700. X raised a complaint to BG, given what he believed was the incorrect information he'd been told. Namely that the heat exchanger should've been supplied and fitted without any additional charge, as it was a part and parts were covered under the policy. X believed that BG ought to reimburse his costs for the new boiler.

BG advised that it wouldn't be reimbursing the cost of the new boiler. So, he asked BG to cancel his policy. BG advised that a cancellation charge would be payable, which X refused to pay and added this to his complaint.

In its final response, BG accepted that there had been some poor service issues and offered X compensation of £60 for the trouble and upset caused. It said that it wouldn't reimburse the costs of the boiler, given that there had been sludge identified in the system. And that it had previously informed X about this. It relied on the policy terms and conditions, that stated that where BG had previously advised of an upgrade or repair. And a policyholder didn't follow the advice, any future repairs related to sludge, wouldn't be covered.

X remained unhappy and as he had been given his referral rights, he referred a complaint to our service. One of our investigators considered the complaint and thought it should be upheld. Her view was that according to the policy terms the claim wouldn't be accepted. But as BG had previously carried out repairs where a part had been affected by sludge, and it hadn't raised any concerns or refused claims. She felt that it ought to have accepted this claim. She said that it had dealt with the cancellation and refund of X's premiums fairly. But she recommended that BG ought to pay X the cost of repairing the heat exchanger, which was fair. Rather than the boiler as there was no information as to what caused it to break down. Further, she recommended that BG ought to increase the amount of compensation to a total of £160 (£60 already offered and paid), for the poor service issues he experienced.

X accepted the view, BG did not. It said that for several years, it had advised X to carry out remedial work to the boiler and told him about the presence of sludge. It said that it hadn't carried out any repairs that related to sludge, apart from one in December 2017, and it thought the engineer at the time may have done this as a goodwill gesture, as it wasn't covered under the policy. It said that it had acted fairly and within the terms and conditions of the policy. So, it asked for a decision from an ombudsman.

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 considered the complaint, and I thought the complaint shouldn't be upheld. I issued a provisional decision on 6 November 2023 and asked both parties to send me anything else by 4 December 2023. In my provisional decision I said:

I have considered all the available evidence and arguments to decide what is fair and reasonable in the circumstances of the complaint.

Having done so, I'm minded not to uphold this complaint. I understand that this is likely to be a disappointment to X, but I hope my provisional findings explain why I think this is fair.

I've considered the comments and evidence from both parties. I have also reviewed the policy terms and conditions and I've been provided with copies of the work history, that details the amount of work including annual services, carried out on X's boiler. I think the main issue of this complaint is whether BG fairly declined to repair the heat exchanger. And whether it was reasonable for it not to reimburse X's costs for the replacement boiler.

X's boiler was covered with BG from 2015. However, BG has provided evidence to show that it was likely that the boiler was much older than that. From the work record, that is compiled by each engineer who attends and gives details of what happened during the visit. It appears that the first call out in March 2015, BG advised that the heat exchanger was blocked, it was removed and cleaned and said that sludge would not be covered. BG advised that the boiler would need to be replaced and that a quote could be provided, but X declined this.

Since 2015 (until X cancelled the policy), from the work history, BG advised X to either upgrade or replace parts on the boiler and also to replace the boiler 29 times. I can see that he was repeatedly told that sludge would not be covered under the policy.

Having reviewed the policy terms and conditions, I think the terms are clear in that if a policyholder, decides not to take action following the advice given (that is that future sludge related faults would not be covered) then they will be responsible for any future risks. The policy states at pages 10, 30 and 31 the following:

'What's not covered: Damage caused by limescale, sludge or other debris, if we've told you before that you need to carry out repairs, improvements or a British Gas Power flush, or a similar process, but you haven't done so.

British Gas Power flush: Over time, gas central heating systems build up sludge that can block or narrow your pipes, radiators and boiler parts. British Gas Power flush is our way of removing that sludge from your system. We'll tell you if your system needs a power flush to work properly. You'll need to pay for it separately – it isn't included in your cover.

If you buy a British Gas Power flush, any future ones you may need to keep your system working properly are included, for as long as you have continuous cover for your boiler with

us. If someone else carries out a power flush for you, you'll need to show us the receipt before we carry out any more repairs or replacement work for damage caused by sludge.

Making any improvements: Where we've told you that an improvement is necessary, we may not continue to make repairs on that part of your boiler, appliance or system unless the work has been carried out.'

I think this shows that X was aware that he had been previously advised about the accumulation of sludge. Further, he explained that he had instructed a third-party engineer to remove the sludge:

'I however wish to categorically point out that when they advised of sludge in the boiler in earlier years, I employed the services of an independent contractor to do the work as the independent engineer was a lot cheaper than the quotation British Gas. I will not have left the identified fault unrectified.'

X was asked to provide an invoice or some other proof of the work he said was carried out. But this wasn't provided. Additionally, I can't see that X complied with the policy terms which stated that if work of this nature was carried out by an independent engineer, then he would need to show BG a receipt of the work, before it carried out any more repairs or replacement work, for the damage caused by sludge.

I accept that in December 2017, BG replaced the heat exchanger. I asked it why this was done especially as it had previously advised X that this wouldn't be covered under the policy. It explained that it was likely due to the engineer carrying out a goodwill gesture, given the time of the year and not wanting to leave the tenants without heating and hot water. And it seems that X benefitted from a repair that he wasn't entitled to, under the policy.

Apart from this repair, I can't see that BG carried out any other sludge related repairs. And I'm satisfied that BG over several years advised X that the boiler and system were in a poor condition (due to the presence of sludge) and ultimately would need to be replaced.

Consequently, I'm currently satisfied that BG fairly declined the claim, given the policy terms and conditions. So, I don't think it is reasonable for BG to reimburse X's costs for the replacement boiler. And I currently, find that it fairly declined to carry out the repair of the heat exchanger.

I've next considered the level of compensation, for the poor service issues. BG accepted and apologised for its error. It offered and paid £60 for the trouble and upset caused. I understand that X would like a higher amount of compensation awarded.

Our service has strict guidelines on awards of compensation. And whilst I accept there were incidents of poor service, having reviewed our guidelines, I'm satisfied that the error caused X some level of frustration. Consequently, I'm satisfied that the amount of compensation paid by BG is in line with our service's guidance on compensation awards. So, I won't be asking it to increase this further.

Finally, X said that BG ought not to have charged him a cancellation fee, when he had to cancel the policy, due to BG's poor handling of the claim. However, the policy terms and conditions state:

'We'll cancel your policy from the date you notify us, and we'll refund you for the rest of the time you have already paid for. If we've carried out any work for you, you may have to pay cancellation charges – see cancellation charges table.'

So, I think it was fair for BG to have charged a cancellation fee, given that X had an annual service carried out during the policy term.

BG has confirmed that it has refunded the rest of the premiums back to X from the date of his cancellation request. Which I'm satisfied is in line with the policy terms, so I won't be asking it to do anything further here.

I acknowledge X's strength of feeling about this complaint and the reason why he referred it to our service. But, in the overall circumstances of this complaint, I currently haven't seen enough evidence to show that BG acted unfairly. If X has further evidence that is contrary to this, I will of course consider it. But for now, I intend not to ask BG to do anything further here.

Responses to my provisional decision

BG accepted by provisional decision and had nothing further to add.

X said that he engaged the services of a third-party engineer to carry out a power flush but was unable to locate the invoice. Ultimately, he too accepted by provisional decision.

As both parties have accepted by provisional decision, then my final decision will be the same as my provisional decision.

My final decision

For the reasons given, I won't uphold X's complaint.

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

Ayisha Savage
Ombudsman