

The complaint

Mrs B is unhappy with the service provided by British Gas Insurance Limited ("BG") under her boiler repair and service policy.

What happened

The background to this complaint is well-known to both parties. So I've set out a summary of what I think are the key events.

Mrs B had a boiler, controls and central heating policy underwritten by BG which covered her combined warm air unit and water heater (I'll refer to this simply as 'the appliance'). The policy included an annual service.

During the annual service in 2023, BG identified a fault with the flue which it believed to be dangerous. As it was unable to complete a repair, BG condemned the appliance. Mrs B asked why the carbon monoxide detectors (COD) hadn't gone off, but BG didn't provide her with what she considered a satisfactory answer.

Mrs B returned to the company that fitted the appliance 18 years earlier. The engineer said the flue was working properly but the appliance was filthy, suggesting it hadn't been serviced in years and causing a fire and flood risk. He charged just over £200 to clean the appliance and replace the COD, and gave Mrs B a quote of just over £1,000 for a replacement appliance.

Mrs B complained to BG because she felt she'd been put in danger over the years due to its failure to service her appliance properly, and she said she'd paid for a service BG hadn't provided. Mrs B chased a response to her complaint on a number of occasions, but it was four months before BG looked into her concerns.

BG didn't think it had done anything wrong by condemning the appliance. In its final response to Mrs B, it explained that its suppliers didn't have the repair parts, so in line with the policy it offered to refund the full premium for the policy year. In addition to this, BG arranged a refund of £25 for the COD her own engineer installed.

But Mrs B remained unhappy. She said she'd paid thousands of pounds to BG over the years for a service she didn't receive, and she was left having to arrange her own repairs at a further cost. Mrs B brought her complaint to us.

To begin with, our investigator thought BG had completed the service in line with the policy and that it had done enough to put matters right. However, Mrs B provided some of the checklist documents BG left at each annual service which suggested only the warm air unit had been serviced. She asked for a further review, so our investigator contacted BG again. It became apparent that there'd been confusion around the type of appliance Mrs B had and BG accepted that it could've done more in response to her concerns.

BG maintained that it had correctly condemned the appliance because it failed the flue test, and it didn't have access to the repair parts through its own suppliers. Therefore, BG felt it

correctly cancelled the policy and refunded the premium to the last renewal date. However, BG acknowledged service shortfalls and offered to cover Mrs B's engineer's charge, less the COD payment it had already made. BG also said it would pay £1,085 to cover the further engineer charges on receipt of an invoice evidencing the work done and payment made. Further, BG offered to add simple interest of 8% per year.

Our investigator thought BG's latest offer was fair and reasonable in light of the mistakes made, but Mrs B didn't agree. So the complaint was passed to me to decide.

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, I've decided to uphold Mrs B's complaint for broadly the same reasons as our investigator.

There's a lot of evidence in respect of this complaint, and I can see that Mrs B has invested a significant amount of time in documenting her points. I won't comment on every point or piece of evidence, and our rules don't require me to. Instead I'll focus on the key points and reference the evidence I've relied upon where I think it's appropriate. Even so, I'd like to reassure Mrs B that I have considered everything she's said, and where I haven't commented on something, it doesn't mean I have disregarded it. It's simply that I don't think it makes a material difference to the outcome.

The relevant regulator's rules say that insurers must handle claims promptly and fairly. So I've considered the evidence to determine whether BG has handled Mrs B's claim in line with the policy terms and conditions, and fairly and reasonably in the circumstances.

Flue test

BG said the appliance failed the flue test which is why it considered it at risk and condemned it. But Mrs B said her engineer told her there was nothing wrong with the flue.

I must rely on the reports of the experts when considering a technical aspect of this complaint. Here, I have two conflicting opinions. I see no benefit to BG in reporting that the appliance had failed the flue test. Nor do I see any benefit to the independent engineer in saying it passed. My role is to look at how BG handled matters, so I've thought about whether it was reasonable to condemn the appliance based on its own flue test. On balance, I think it's more likely than not that BG believed the flue test failed so, as a matter of safety, I think it was reasonable that it condemned the appliance. When Mrs B felt unhappy with its decision, she could've asked it for a second opinion or, as she did here, get a second opinion elsewhere. BG didn't have an opportunity to retest, so there's little evidence other than the independent engineer's report on which to base my decision. With that said, BG has offered to cover the independent engineer's charge for the flue test and service. Therefore, even if BG had fallen short in its handling of this service, I'm satisfied it's done enough to put matters right. I won't be asking BG to do any more in respect of this point.

Flue repair

BG said it couldn't repair the flue, and it gave different reasons for not doing so. I can understand Mrs B's dissatisfaction with the differing reasons and why she might think BG hasn't handled matters reasonably. On looking at the evidence, including a description of the appliance itself, I see that the appliance had an open flue. The policy terms and conditions state:

What's not covered

Repairing or replacing open flues and their terminals or flues over one metre in length.

Based on this evidence, I'm satisfied that the policy didn't provide cover for a flue repair. I don't think it was helpful that BG failed to give a consistent response when Mrs B challenged its decision. But, as the flue repair wasn't covered, I think it was reasonable that BG condemned the appliance as unsafe.

Condemned appliance

Mrs B was unhappy that BG condemned her appliance, yet her own engineer completed a repair. As I've said, BG condemned the appliance because the policy didn't provide cover for an open flue repair. I realise it also said the parts were obsolete, which would've caused Mrs B's disbelief in its response given her own engineer was able to source parts and she herself identified that the appliance parts were still available. Even considering the various reasons it gave, I can't reasonably say BG acted unfairly. It considered the appliance unsafe and it didn't have access to the parts using its own suppliers. The policy doesn't require BG to search endlessly for a replacement part, rather it is entitled to limit its search to its own suppliers and/or manufacturer. But as the policy didn't provide cover anyway, I think BG's shortfall here was limited to its failure to provide Mrs B with a consistent and accurate reason for not carrying out repairs.

Water heater

Mrs B said BG didn't provide the service she paid for because the condition of the water heater suggested it hadn't been serviced for years. She provided checklists from annual services, some of which were incomplete, indicating that the engineers had attended to service the warm air unit but there was no reference to the water heater.

I've thought carefully about this point, but the evidence doesn't persuade me that BG failed to complete an annual service check on the water heater at all. I don't doubt Mrs B's description of the ingrained dirt inside the water heater. And I've noted BG's confusion about what was covered under her policy. However, I think its confusion is limited to its response to Mrs B's complaint. That's because, on looking at the visit notes, and having considered Mrs B's own admission, I see that BG replaced the pilot light burner in the water heater in 2018. If BG believed the policy didn't provide cover for the water heater, then this work wouldn't have been carried out.

I've also thought about Mrs B's explanation that it's a combined water heater, and her photos showing that it's one appliance with switches for three functions. On balance, I think it's unlikely that BG's engineers would've completed an annual service on only part of a combined appliance, especially as the policy and work notes accurately record that it's a combined warm air unit and water heater, and that's what the engineers would've been provided with. I see the visit notes also record that the appliance was cleaned.

Nevertheless, I can't disregard the worksheets left with Mrs B that appear to indicate only the warm air unit was serviced, and BG's inability to confirm one way or another. So, I've taken this into consideration when deciding on what BG must do to put matters right.

Unsafe appliance

Mrs B said BG left her with an appliance which was unsafe because it hadn't been cleaned, and she commented on the danger in which she and her family were placed. The evidence doesn't persuade me that BG failed to carry out annual service checks on the complete appliance every single year. It did, at least, complete an annual service on part of the appliance, and there's evidence that it completed work on the water heater in 2018. So I think it's more likely than not that, if there was any danger, it would've been spotted.

Even so, I haven't been provided with any evidence that Mrs B suffered a loss or experienced any worry or distress prior to the water heater being cleaned. As she wasn't aware of any possible safety issues until after they had been removed, and Mrs B hasn't said she spent many years worrying about whether her appliance was safe, there's nothing here for BG to put right or compensate for.

Appliance efficiency

Mrs B said BG didn't state on her renewal documents that parts wouldn't be available to complete repairs on her appliance. She provided evidence showing that the documents were different to those provided by BG. BG's documents notified Mrs B that her appliance was no longer manufactured so sourcing parts might be difficult.

I've noted that the renewal documents Mrs B provided were the contents of an email telling her the full document was available in her online account. Mrs B said she couldn't access it, but BG said she didn't report a problem. I've thought about Mrs B's submission which was that BG repeatedly suggested replacing her appliance when it carried out her annual service. While she may not have seen the complete renewal documents, which I can't fairly hold BG responsible for, she was aware of its suggestion that her appliance was no longer efficient and that it would become difficult to source parts. Therefore, I can't reasonably find that BG failed to provide the information to Mrs B.

Premium refunds

Mrs B said she didn't ask for a refund of all of the premiums she paid over the years, but she did expect compensation for what she considers was an incomplete annual service each year. The terms and conditions imply that the annual service costs £65. Mrs B had one done each year, albeit she thinks on only half the appliance. Over 17 years that could mean she paid £1,105 for an annual service, with £552.50 of that being for the warm air unit which she confirms was done. Arguably, then, Mrs B would be expecting £552.50 to be refunded for the water heater annual service. This is a simplistic way of determining the cost, but the rest of the premium was for insured repairs, from which Mrs B benefitted. I've considered this when deciding what BG must do to put matters right.

What has BG done already?

When BG condemned the appliance and cancelled the policy, it sent Mrs B two cheques: £306.39 and £25 for the full year's premium refund and the cost of the COD, respectively. Mrs B said she didn't bank the cheques.

Further to this, BG agreed to pay £209 to cover the independent engineer's charges for cleaning and repairing the water heater, and more recently, £1,085 for the replacement

appliance subject to receipt of proof of payment and work completed. On top of this, BG offered simple interest of 8% per year from the date the costs were incurred to the date it makes payment.

When BG cancelled the policy and refunded the premium, it meant that, in effect, Mrs B didn't have insurance cover for that year. But BG has offered to pay for the repairs and replacement appliance as if she had cover, in which case, BG would've been entitled to keep the policy premium. Disregarding the COD which should've been paid because they were still under warranty, that means BG has given Mrs B £306.39 while also providing the benefit of the cover. BG has also offered to pay the engineer's cleaning and service cost of £209. Mrs B's appliance is approaching 20 years old, but she said it works much more efficiently since her engineer completed a clean and service. This suggests the appliance doesn't need replacing. The policy provides cover up to a maximum of £1,000 and it doesn't provide cover at all for a replacement appliance over 10 years' old. Nevertheless, BG offered to pay £1,085 for a replacement upon receipt of proof of payment and work done.

Therefore, BG has offered a total of over £1,600, plus free cover for that policy year, and 8% simple interest. Thinking about the overall service shortfalls, specifically the delays in responding to Mrs B's concerns, the confusion caused regarding the type of appliance covered, and taking into consideration Mrs B's request for a refund of at least part of her premiums, I think that's fair and reasonable compensation in the circumstances.

While I uphold Mrs B's complaint, I'm satisfied that BG's more recent offer is enough to put matters right. So, for the reasons I've given, I won't be asking BG to increase its offer.

My final decision

For the reasons I've given, my final decision is that I uphold Mrs B's complaint, but I'm satisfied that British Gas Insurance Limited has made a fair offer to put matters right. For the avoidance of doubt, if it hasn't already done so, British Gas Insurance Limited must:

- refund the year's policy premium of £306.39;
- reimburse £234 to cover the engineer's cleaning, service charges and carbon monoxide detectors;
- reimburse £1,085 for the replacement appliance on receipt of a paid invoice evidencing the work done, and
- pay simple interest of 8% per annum* from the date the costs were incurred to the date it makes payment to Mrs B.

*If British Gas Insurance Limited considers that tax should be deducted from the interest element of my award, it should provide Mrs B with a certificate showing how much it has taken off so she can reclaim that amount, if she is eligible to do so.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs B to accept or reject my decision before 15 October 2024.

Debra Vaughan
Ombudsman