

The complaint

Mr Y has complained that his home emergency insurance policy with British Gas Insurance Limited ('British Gas') was mis-sold to him as it contains an exclusion in relation to steel composite pipes which means he was never fully covered under the policy.

What happened

Mr Y says he has had a home emergency policy with British Gas for around 15 years. In October 2023 he made a claim under his policy because he had an issue with his heating and hot water. Engineers attended over the following three days. Eventually an issue was identified which required Mr Y's pipes being replaced. Nevertheless, British Gas said it couldn't replace them as they were made out of steel which is something that was excluded under the policy.

Mr Y wasn't happy about this and complained. He said he was not disputing the terms and conditions, but he wasn't happy he was never told that he wasn't covered. He said his boiler was installed by British Gas in 2007 and it should have advised him about the pipes then. He said it would have only required putting a magnet on the pipes to check. He said he had been paying for his policy for the 15 years he has had it when he didn't have the full benefit of it and wanted a refund. He said he estimated he was paying £5 per month for 15 years for this element of the policy.

British Gas upheld the complaint in part. It said that it should not have taken three appointments for it to be able to identify the issue and acknowledged that it sent the wrong type of engineer for the second appointment which meant that a third was required. In terms of it identifying that the pipes were made out of steel when it installed the boiler, it said that it spoke to its installation team, and they said that they did not install the radiators and would therefore not have discovered that the pipes were made out of steel as they would not have been required to lift the floor boards at that stage.

British Gas added that Mr Y had made a number of successful claims under his policy over the years and therefore had had the benefit of the policy. And for those reasons it said it wouldn't be able to offer him a refund. British Gas acknowledged the inconvenience it caused and offered Mr Y £90 compensation. It also said that it had removed Mr Y's radiators from the cover and refunded £184.15 for Mr Y's plumbing and drains cover for the year. It said it wouldn't pay for the cost of the repairs to the pipes which came to £294.30 as this wasn't covered under the policy.

Mr Y then brought his complaint to us. He said he wanted the premiums for the hot water pipework to be calculated, adjusted for inflation and refunded to him.

One of our investigators reviewed the complaint but didn't think it should be upheld. Our investigator said that British Gas acted in line with its terms and conditions and also that it dealt with the matter fairly and reasonably. She said that the policy provides cover for multiple issues but also contains certain exclusions such as the one about the steel pipes. She added that Mr Y had also benefited from the policy over the years and had made a number of successful claims. Our investigator thought that the policy clearly outlined what it does and doesn't cover and that the onus was on Mr Y to ensure the policy met his needs. She thought that British Gas's offer of compensation and the £184.15 refund were fair and reasonable.

Mr Y didn't agree with our investigator. He said that the policy has multiple components with each being separately identifiable such as boiler, heating, plumbing cover etc. He said that though he benefited from parts of the policy over the years, he could never have benefitted from the radiator system element despite him paying his premiums. He said this should have been brought to his attention. He repeated that British Gas should have identified that he had steel pipes when it installed his boiler and that all it would have involved was putting a magnet against the pipes that were visible which connect to the radiators.

Our investigator didn't change her view. She said that when taking out the policy the onus would have been on Mr Y to ensure that the policy met his needs and to familiarise himself with the policy terms which list all exclusions. She repeated that British Gas wasn't involved in the installation of the radiators and wouldn't have known about the pipes.

As Mr Y didn't agree with the investigator's view the matter 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.

Mr Y's policy with British Gas provided cover for his boiler, central heating and repairs to plumbing and drains. The policy excludes the repair or replacement of steel pipes apart from in certain situations which didn't apply in Mr Y's case. Mr Y said he doesn't question what the policy says but he is unhappy that the pipes weren't checked when he had his boiler installed or that this exclusion wasn't brought to his attention when he bought the policy.

When selling an insurance policy, a business is required to give the customer information which is clear, fair and not misleading to enable them to make an informed decision about whether the policy is right for them. And we'd expect any terms which are significant or unusual to be brought to the customer's attention. Insurance policies don't cover all eventualities, but this doesn't mean that we would expect those who sell insurance to go through each exclusion during the sale.

Mr Y said he had his policy for over 15 years. British Gas said the policy was taken out 18 years ago. We asked British Gas for the sales journey i.e. how the policy was purchased and what information would have been available to Mr Y at the time. British Gas wasn't able to provide any further information or documentation due to the passage of time. This is understandable but it also means that I have to make a decision based on the information which is available to me.

British Gas said that this policy was sold on a non-advised basis. This means that it didn't advise Mr Y as to the suitability of the cover. Rather Mr Y chose the policy and decided to buy it. As our investigator said I think this means that the onus would have been on Mr Y to ensure that the policy provided the cover that he was after.

The exclusion about the steel pipes is under the "General Exclusions" section in the policy terms and I think it is sufficiently highlighted alongside other exclusions. I also wouldn't consider this exclusion to be necessarily unusual or significant; or something that comes up often enough to warrant it needing to be highlighted further. I appreciate Mr Y feels it is significant as it limits the level of cover available to him, but this is not something that he or British Gas would have been aware of at the time he took the policy out because at the time he didn't know he had steel pipes. So, I think he would have still proceeded to buy the policy regardless.

Mr Y said the policy wasn't suitable for him and he believes British Gas could have done more to check that he was fully covered from the start. British Gas said it didn't install Mr Y's radiators and therefore would have had no need to check the pipes. I think this is fair and reasonable. And we wouldn't expect insurers to carry out an inspection each time a policy is taken out to ensure that it was correctly taken out. I don't think that would be fair or reasonable. And as I said above policies don't cover all eventualities and contain several exclusions. Each time an exclusion applies doesn't mean a policy was mis-sold. And as our investigator pointed out Mr Y had a number of successful claims over the years, so he has had the benefit of the policy, which makes it even less likely to have been mis-sold.

Mr Y said that the steel pipes should have been identified when British Gas installed the boiler in 2007. I think the boiler installation would have been carried out privately and not under the terms of the policy, so I don't think that when British Gas installed the boiler it was acting in its capacity as Mr Y's insurer. But even if that was the case, British Gas's engineers said they wouldn't have had a reason to check the radiator pipes when installing the boiler. I think that's fair and reasonable and I'm not aware of any contradictory engineering evidence suggesting that the pipes should have been checked at that time. Also, as our investigator said there is an expectation on Mr Y to read the terms and conditions and determine that the policy is right for him. Especially as the sale was non-advised which meant it was his decision to buy this particular policy and it wasn't recommended to him by British Gas.

Now that it has been determined that Mr Y's steel pipes aren't covered, British Gas has taken the relevant cover off his policy and issued a refund. I think this is fair and reasonable. And I think its £90 offer for the distress and inconvenience Mr Y experienced over the three days before the correct diagnosis was provided was also fair and reasonable. Finally, I don't think British Gas should reimburse Mr Y for the cost of the pipe repairs as these weren't covered under the policy.

I appreciate that Mr Y will be disappointed with my decision but for the reasons I have given above, I don't think British Gas acted in a way which was unfair or unreasonable in the particular circumstances.

My final decision

For the reasons above I have decided not to uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr Y to accept or reject my decision before 14 November 2024.

Anastasia Serdari
Ombudsman