

The complaint

Ms S and Mr V have complained about how Admiral Insurance (Gibraltar) Limited ('Admiral') dealt with a claim under a home emergency policy.

As Mr V mainly seemed to deal with the claim and complaint, for ease, I will normally only refer to him.

What happened

Mr V contacted Admiral to report that he had no heating or hot water. An engineer visited and found a problem with the pump and a valve, both of which needed to be replaced. So, he left without repairing the boiler and contacted Admiral with a quote to complete the repair.

The policy had a £500 limit per claim. The repair quote took the claim over the limit. So, Admiral contacted Mr V and asked if he wanted to pay £97.61, which was the amount above the policy limit, to carry out the repair. Several days later, Mr V made the payment and an engineer visited. The engineer fitted the pump but found further issues with the boiler and that several parts were required to fix it. Sludge was also found in the system. The engineer said a powerflush would need to be completed before any further work could be carried out. Admiral then declined the claim because of an exclusion for faults arising from sludge.

Mr V complained. He said he had been scammed because he paid over the policy limit for repairs, but the issue wasn't fixed. When Admiral replied, it explained what the engineer had found, which included sludge in the system. It said there was an exclusion under the policy for sludge in the system. So, it didn't uphold the complaint.

When Mr V complained to this Service, our Investigator upheld the complaint in part. He said it was fair for Admiral to decline the claim because of sludge in the system because this was in line with the policy terms. However, he said Admiral should refund the £97.61 overpayment, plus interest, because it had declined the claim.

Mr V didn't agree this was a fair outcome. He said his own engineer didn't find sludge in the system. He said the photos Admiral said showed the sludge didn't look like the pipes in his plumbing and the concrete floor didn't look like his garage floor. Admiral's engineer had also fitted an incorrect pump, which made the situation worse. So, the complaint was referred to me.

I issued my provisional decision on 12 September 2024. In my provisional decision, I explained the reasons why I was planning to uphold the complaint. I said:

Mr V didn't think it was fair that Admiral didn't repair his boiler because it said there was sludge in the system. Looking at the policy, this had an exclusion where any fault arose due to sludge. So, I've looked at whether it was fair for it to apply this exclusion.

At Admiral's first visit, its engineer found:

"No heating or hot water. Fault diagnosis led to the pump being the problem. This was found to be overheated. Tried to cool the pump down, so we could check the impeller shaft. Checked the shaft, but it was stuck solid. Whilst doing a check of the system, we found the heating motorised valve is stuck closed, this is looking like the reason the pump failed. There is no heating or hot water."

The engineer ordered a pump and valve and later returned with these. He then found:

"Drained down the system. Removed the defective pump, and fitted the new pump. Removed the motorised valve head and replaced with a new head. Filled the system and tested. Whilst testing the system we encountered further issues. The system water was not returning to the heat exchanger. I removed the new pump, and accessed the hydraulic block to check if there was a blockage. I found the built-in bypass was missing, and this is what was causing the circulation issues. There is also sludge in the system. The parts that are connected to the heat exchanger were removed and although they are clear, they have been affected by the sludge. Several parts are required to solve this issue. A power flush will now need to be completed before any further works can be completed."

I'm aware Mr V has said his own engineer said there wasn't sludge in the system. The engineer's report said:

- "Pipes have been cut and disconnected from the boiler. These required reconnecting in order to carry out checks on the boiler system"*
- The pump installed is not compatible with the boiler*
- The pump has been installed upside down*
- The motorised valve was not correctly installed underneath the water tank*
- Engineer confirms that sludge is not the cause of any issues*
- Due to the extent of issues, boiler replacement advised. Quotations provided to customer."*

I'm mindful the report didn't say there was no sludge in the system. What it said was that sludge wasn't the cause of any issues. This could indicate that sludge was present, but wasn't the cause of the boiler problems. However, I'm also aware Mr V told this Service he replaced the boiler and the installer flushed the system and didn't find any sludge. I haven't seen evidence from the installer. However, it's my understanding that the sludge was inside the boiler that was replaced. So, it's not clear that the installer would have found sludge when they flushed the system as part of installing the new boiler.

However, Admiral couldn't decline the claim simply because there was sludge present. It needed to be "any fault arising due to sludge...". So, the sludge needed to be causing the fault. Admiral's engineer report said "I found the built-in bypass was missing, and this is what was causing the circulation issues. There is also sludge in the system. The parts that are connected to the heat exchanger were removed and although they are clear, they have been affected by the sludge". So, my reading of this is that sludge was in the system, but that the missing built-in bypass was the cause of the circulation issues. I also don't think the report explains what was meant by the sludge affecting the heat exchanger or said this was the cause of the problems with the boiler. I haven't currently seen anything that persuades me the fault was the result of sludge. So, I don't currently think it was fair for Admiral to decline the claim based on the sludge exclusion.

So, I've thought about what Admiral should do as the result of this. Admiral's engineer report explained about the missing bypass and said "Several parts are required to solve this issue". Mr V's engineer report didn't seem to diagnose the issue with the boiler but said "Due to the extent of issues, boiler replacement advised". So, I think there were a range of issues with

the boiler. The policy only provided cover of up to £500 per claim. I haven't seen evidence to show Admiral's engineer was incorrect in his diagnosis of a new pump or valve being needed, even if Mr V's engineer thought there was an issue with how the pump was installed. Because of the work required, the full £500 was used up and Mr V had to pay an additional amount for the second visit to take place. So, any further work after that would have needed to be carried out as private work outside the terms of the policy. There was no more cover available under the policy, regardless of whether the cause was sludge or that other parts needed to be replaced.

However, when Mr V made the payment, this with the expectation that the boiler would be repaired. But, this work didn't fix the boiler. I also think it's fair to say that if Mr V had known that would be the case, he wouldn't have agreed to pay the money. I think Admiral needs to refund Mr V the £97.61 he paid so the engineer could visit to complete the repair. Admiral should also pay interest on that amount because Mr V lost use of that money.

I'm also aware Mr V has said he didn't think the engineer's photos of the sludge were taken at his home. It's my understanding that he saw this as evidence of Admiral trying to dishonestly deal with this claim. I've seen two photos, although I think Mr V currently might only have seen one of them. Mr V has said there are no pipes in his home that look like the one in the photo and that the floor isn't his garage floor. It's my understanding that the photos are of parts of the boiler, rather than pipework in his home more generally. One of the photos shows the inside of the boiler with the part in place. The other photo is a blurred close up of the top of a pipe with a grey surface surrounding it. It's my understanding that this is what Mr V has said isn't his garage floor. I'm not aware of anyone other than Mr V suggesting the surrounding surface is a floor. I think it's difficult to tell what the surface is, but I think it's more likely a close up of the part in the other photo. However, even if that is incorrect, I'm not persuaded there is evidence the photos aren't of parts of Mr V's boiler.

I've also thought about compensation. Mr V has explained that he felt unfairly treated by Admiral. I think Mr V has been caused frustration by how Admiral dealt with the claim. I think it applied an exclusion unfairly, although I'm also mindful that I don't think there was any further cover under the policy anyway. Thinking about this, I currently intend to say that Admiral should pay him £100 compensation to reflect the impact on him of how Admiral dealt with the claim.

I asked both parties to send me any more information or evidence they wanted me to look at by 26 September 2024. Both parties replied before that date.

Admiral accepted my decision. Mr V said that in order to conclude the process he would accept my decision and the compensation.

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 uphold this complaint and for the reasons given in my provisional decision. I haven't found any reason to change my decision about what is a fair and reasonable outcome to this complaint.

My final decision

For the reasons I've given above and in my provisional decision, my final decision is that this complaint is upheld, I require Admiral Insurance (Gibraltar) Limited to:

- Refund Ms S and Mr V £97.61.
- Pay 8% simple interest on that amount from the date on which Ms S and Mr V made the payment to the date on which it is refunded.
- Pay Ms S and Mr V £100 compensation.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms S and Mr V to accept or reject my decision before 18 October 2024.

Louise O'Sullivan
Ombudsman