

complaint

Mr P is unhappy with the handling of a claim for his boiler made under a boiler insurance policy with Great Lakes Insurance SE.

background

I've issued two provisional decisions on this matter. I have copied below the main part of the second provisional decision, which sets out the background to the complaint and my provisional findings:

"In December 2017, Mr P made a claim when his boiler was noisy. Great Lakes initially refused to attend as it says the boiler was working and it doesn't cover noises.

Mr P called again in early January 2018, as his boiler was then only working intermittently and shutting itself off. Great Lakes again refused to attend as it said the boiler was working still and it says the policy excludes cover for intermittent faults. However, it subsequently agreed to send a contractor to look at the boiler three times. I understand that on the first occasion the faults were not showing but it was recommended that the printed circuit board be replaced, which was done around six days later. Great Lakes says it also replaced some other small parts on that day.

Mr P called again the next day to say the faults were apparent again and Great Lakes sent another contractor. He recommended the heat exchanger be replaced – I understand no reference was made to this being irreparable – but after this visit Great Lakes said the repair would not be done as it was deemed the boiler was beyond economic repair ("BER").

Great Lakes says the heat exchanger was blocked, the pump had failed, the air vent was leaking, two expansion vessels had failed, a sensor and pipes were blocked and a connection piece was leaking. Great Lakes says all these problems were due to sludge in the heating system. It says it has reviewed all this and it would cost over £2,000 to repair and it would cost around £1,300 to replace the boiler. It has offered £500 towards the cost of the new boiler.

Mr P complained and I understand Great Lakes arranged for another service provider to attend to look at the boiler and see if would do it under a one-off fixed repair. He said the heat exchanger had been damaged by normal wear and tear – he showed Mr P some clear liquid with some debris in it. He removed the debris. It said the cost of the heat exchanger would be more than it would do under a one-off repair and he didn't leave a report.

Great Lakes has said this supports its diagnosis that the boiler is beyond economic repair.

Mr P says the whole experience has been extremely stressful. He has provided evidence of medical conditions that mean this will have been a difficult time for him. He has also made a number of other submissions, which I've summarised below:

- He wants to provide further information about the actual cost to replace his boiler but has been told by the investigator that he can't. This is absurd.*
- Great Lakes has not come and surveyed his house or assessed his needs in order to cost a new boiler properly.*
- He doesn't accept it can be done for £1,300. He has provided a quote for £4,608 to replace and install a new boiler.*

- *The two earlier contractors did not deem the boiler beyond economic repair but their reports seem to be ignored.*
- *He had agreed to his boiler manufacturer attending but then another service provider was sent instead. This is another reason why the first two reports should be preferred over the report provided by the other service provider.*
- *There was a deadline placed on the discount, which he considers was coercion as the complaint was still going on.*
- *He was told the cost of labour should not be included and so the estimate of repair costs from Great Lakes should be £1,882.58 after removal of labour costs of £245. And the main heat exchanger can be sourced for around £800 not £1,184.54 as in the estimate.*
- *It offered him a discount on a new boiler but the contractor didn't know anything about it.*
- *From the outset Great Lakes focussed on excuses and reasons not to do the repairs, working in conjunction with manufacturers to promote new sales.*
- *Some further faults have developed as the boiler has gone unrepaired.*
- *The other service provider's criteria as to whether to accept a fixed fee one-off repair will be different from the terms of his policy. And two different engineers have said that the faults listed as being in place by Great Lakes would mean the boiler wouldn't be working at all but it does work intermittently.*
- *Great Lakes also said there was sludge in the heating system but not provided any proof of this. He feels Great Lakes is just making excuses to avoid the claim and coerce him into paying for a new boiler. There are wider concerns here.*

Mr P has also says he has had to make around 30 telephone calls about this matter. Mr P has now also had the boiler replaced and the engineer said that he thought the thermostat was the cause of the issues. Mr P says he found nothing wrong with the various parts listed in Great Lakes's report.

Great Lakes's has seen a copy of Mr P's engineer's report. It says it was an "observation indicating only, the belief that there was nothing wrong with the boiler with the exception of an intermittent thermostat issue." If he didn't think it needed replacing, he shouldn't have replaced it. The report does not prove the boiler was not beyond economic repair.

One of our investigators looked into the matter. She did not think it should be upheld. Mr P does not accept the investigator's assessment and so the matter has been passed to me.

In the meantime, I understand Great Lakes has contacted Mr P about renewing his policy. This has caused him some upset. The investigator has asked Great Lakes not to contact Mr P.

I issued a provisional decision on this matter in June 2018, which said I did not intend to uphold it. I didn't think there was any reason to doubt the reports provided by Great Lakes and given the disparity between the expert opinions didn't think there was enough evidence at that stage to uphold it.

I invited both parties to respond to my provisional decision with any further evidence or information they wanted considered, as a result of which I spoke to Mr P.

Mr P raised some further issues:

- The engineer could not have found all the items wrong that he listed in his report in the time he was at the property. His report is also unsigned and can't therefore be relied on.
- He had the system drained, refilled and inhibitor put in in 2015 and 2016 and there was no sludge in the system at all on either occasion.
- In 2016, there was a 'deep' service of the boiler and no problems at all found.
- The whole heating system and boiler were only nine years old.
- The boiler was showing an 'F5' fault which means it was overheating – he was still getting heating and hot water intermittently, so it is impossible that all the things Great Lakes said were wrong with his boiler actually were wrong.
- It was determined that the fault was a sensor in the main thermostat.
- He had no choice but to go ahead and replace the boiler but his engineer said it was in good condition.
- It cost him just under £5,000 in total to have it replaced, the parts were around £3,500.
- His property is a large listed building and it would not have been possible to replace the boiler for the amount suggested by Great Lakes.
- It didn't provide estimates based on the right like-for-like boiler (his was an ultrapower model, when it quoted for an Autocrom model).
- He has continued to receive marketing material from Great Lakes despite assurances that it wouldn't send him any more, which has caused him further stress.

Following this, I asked Great lakes for further information on how it had estimated the cost of replacing the boiler, and to provide evidence that the boiler it had costed was a like-for-like; and to explain why the replacement heat exchanger was first put at costing around £300 and then changed to over £1,100.

Great Lakes responded that:

- The replacement of the boiler is not covered under the policy. The calculations for the replacement boiler and the offer regarding the BER contribution was done to try and go above and beyond for Mr P. It is not usual process to provide this and it sees no reason why it should provide information about what an alternative boiler may cost when it is not covered under the policy. It is for the customer to decide on where and what they should purchase.
- The quote received on 16 January 2018 clearly set out the following parts were needed and their cost:

"PLATE TO PLATE HEAT EXCHANGER 0020038232 from independent supplier.
£191.28 +VAT part not available from parts centre, sourced
HEATING FLOW PIPE 0020038249 from independent supplier.
£47.25 +VAT part not available from parts centre, sourced
HEATING RETURN PIPE 0020038251 sourced from independent supplier
£37.12 +VAT part not available from parts centre,
O'RING PACK 0020014183 £11.00 +VAT
O'RING 0020020751 sourced from independent supplier
£7.42 +VAT part not available from parts centre.

LABOUR TO FIT THE ABOVE PARTS 3 HRS £105.00 +VAT

If the main heat exchanger and pumps were then also required then the cost would be:

MAIN HEAT EXCHANGER 0020038064 £1184.54 +VAT part not available from parts centre, sourced from independent supplier
HEATING PUMP 0020014171 £174.18 +VAT
DOMESTIC HOT WATER PUMP 0020038245 £229.79 +VAT part not available from parts centre, sourced from independent supplier
LABOUR TO FIT THE ABOVE PARTS 4 HRS £140.00 +VAT.”

my findings

I've considered all the available evidence and arguments again to decide what's fair and reasonable in the circumstances of this complaint.

The policy says that “we will not repair your boiler if this will cost more than replacing it with a new one or if suitable replacement parts are not available. Instead, we will pay a contribution towards the cost of a new boiler. Once you send us an invoice from a qualified Gas Safe Contractor, we will pay the amount shown below:

*Age of boiler 1-6 years £500 including VAT
Age of boiler over 7 years £250 including VAT.”*

I asked Great Lakes for further and better information about how it had calculated that the boiler was beyond economic repair, including by costing for a like –for –like replacement. It said this wasn't required to do this and it would be up to Mr P to arrange any replacement.

However, in order to establish that his boiler was BER (and therefore that Great Lakes was entitled to refuse to repair it in accordance with the policy terms) it is for Great Lakes to provide the evidence to prove that.

The boiler it did refer to was a different model, which Mr P says was not powerful enough for the size of his property.

In addition, I asked Great Lakes for more information about the estimate of the repair costs. It had told us that it would cost over £2,000 to repair the boiler.

However, from the email from the engineer that is quoted above, it's clear that he diagnosed the first few parts were needed and which would cost around £400 to replace. The email then says “If the main heat exchanger and pumps were then also required then the cost would be...” and it goes on to list a number of additional parts which make up the main cost of the estimate Great Lakes relied on.

This engineer hadn't concluded that these parts were definitely required. His diagnosis was actually around £400 worth of work. He suggested there may also be further issues but this hasn't been established. Great Lakes then got the alternative service provider to attend and inspect the boiler.

He apparently concluded that:

“the Heat Exchanger was blocked the Pump had failed, the Automatic Air Vent was leaking, the 2 Expansion Vessels had failed, the Pipes were blocked, a Connection Piece was leaking and the Water Pressure Sensor was blocked. All these problems have occurred due to the system water being contaminated with sludge/scale.

This has resulted in your boiler being deemed beyond economical repair as the cost of replacing the parts required is more than the value of an equivalent new boiler."

Mr P has raised a number of concerns about this report: he says it is not signed by the engineer that attended, among other things. Mr P feels strongly that this report must have been fabricated at Great Lakes's behest and the two other contractors did not identify all the faults set out in that report. While I have no reason to doubt that the engineer provided this and I see no reason to believe it was fabricated, having considered it further, I am not persuaded that it establishes that the boiler was BER.

The parts identified as needing replacing here are not the same as the previous contractor and there is no estimate of the cost of these as against a like-for-like replacement boiler. The engineer that provided this report, is not from the manufacturer of Mr P's boiler.

I've also considered again the comments made by Mr P's engineer who replaced his boiler:

"Upon my initial visit I visually inspected the boiler and was quite surprised that he had been advised that it needed replacing as it appeared to look in good condition.

Mr ...[P] accepted my quote and I proceeded to install the new boiler ... When I removed the boiler, it was evident in my opinion, that the overall condition of the boiler was exceptional. There was no sludge present or evidence that there had ever been any. The hot water and heating was working upon my arrival and in my professional opinion, I believe the occasional lockout reported by Mr ...[P], was merely an intermittent thermostat issue.

By coincidence, there happened to be a British Gas Engineer working in the house next door I asked him to have a quick look at the boiler I had just removed and he too was shocked that [he] ...had been advised that it needed to be replaced. I do not usually get involved in customers disputes with third parties however on this occasion I do feel strongly that Mr P... has been advised incorrectly."

I note that this engineer didn't test the boiler, or look into what could be repaired while it was in place but looked at it after it had been removed. However, that doesn't mean it should be disregarded entirely.

Mr P also told me that he had had the system water replaced and cleaned twice and no issues had been found with the boiler or system with regard to sludge. I found his evidence persuasive and credible.

Weighing this evidence up, together with Mr P's engineer's report against the fact that there is little convincing evidence to support that the boiler was BER, I am now of the opinion that Great Lakes should have carried out further repairs to the boiler. There is not enough evidence that the repairs deemed to be required by the contractor on 15 January 2018 (i.e. the plate to plate heat exchanger, heating flow pipe, return pipe and o-rings) would not have been all that was required. And there is not enough evidence that the main heat exchanger and other parts also needed to be replaced – or indeed that it could not have been resolved by changing the thermostat sensor as suggested by Mr P's engineer.

Great Lakes should have carried out further repairs in January 2018 but didn't. As a result, Mr P was left with a boiler that was shutting off intermittently. Given this, I consider that some compensation is appropriate for the inconvenience this caused. I consider that £250 is appropriate.

Mr P also felt he had no choice at the time, and in reliance of what Great Lakes had told him he had the boiler replaced. Mr P would not have incurred the cost of having the new boiler installed at all, if it hadn't been for this.

It seems to me reasonable therefore that Great lakes should reimburse Mr P for some of this expense. Mr P has suggested that he would be satisfied with reimbursement of the cost of the boiler and parts, which he says was £3,500 (the total cost was around £4,800).

Mr P has provided a copy of the invoice from his engineer but without a breakdown of the cost of the boiler and parts. It refers to some work on the flue but Great Lakes is entitled to be satisfied that the remaining work related solely to the boiler and that the boiler was like-for-like. I also haven't seen evidence that Mr P has paid this invoice.

If that evidence can be provided, then this would seem to me to be a reasonable settlement of this matter in principle and takes into account the fact that he has a new boiler now instead of a nine year old boiler (I don't therefore think Great Lakes should have to pay the whole cost).

With regard to some of the other issues raised, Great Lakes did tell Mr P he could "Boiler Install Incentive - If you call and book an engineer to quote from [A] ... before the 31st of January you can take advantage of a £500 discount for a new boiler install. Their telephone number is This offer is only with ... [A]".

However, I think it is clear that this is an incentive offered by the organisation not a discount offered by Great Lakes. I don't think this therefore binds Great Lakes to make a further payment/ discount to Mr P.

Mr P has also complained about receiving marketing material from Great Lakes. However, this is sent by agents acting in their own right and so any complaint about that will have to be considered separately.

my provisional decision

I intend to uphold this complaint against Great Lakes Insurance SE and require it to do the following:

- *pay Mr P £3,500 (subject to evidence to support this amount and that Mr P has paid this) towards the new boiler, together with interest at 8% simple per annum from the date Mr P paid for it to the date of reimbursement; and*
- *pay Mr P £250 compensation for the delays in attending to the boiler and leaving him with a boiler that was not working properly until he could get it replaced."*

responses to my provisional decision

I invited both parties to respond to my provisional decision with any further information or arguments they want considered.

Mr P has responded and confirmed that he accepts my provisional decision.

Great Lakes has also responded. It does not accept my provisional decision and has made a number of further submissions, which I've summarised as follows:

- it feels very strongly about this case. Mr P argued all along that his boiler was not BER, but he has then proceeded to replace it, despite what his own engineer has said, which makes no sense.
- It replaced the PCB only and the engineer suggested once fitted this may show up other parts being required. I said that it had also replaced some other small parts on the first attendance but this is not correct.
- A different engineer from the same contractor attended and he also deemed the boiler to be BER. Following the complaint, it agreed to send out a third engineer, this time from the manufacturer. The manufacturer's report states that the failure of the heat exchanger was due to sludge/scale and that the boiler was BER.
- There is no evidence from any Gas Safe engineers employed by Mr P to confirm that there was no sludge or scale in the system.
- The provisional decision says I found Mr P's evidence that he had had the system water replaced and cleaned twice and that there was no sludge in the system credible. It is only right that Mr P provides evidence showing the results of his system flushes and the dates these were carried out. It also questions why he would have had these done, if there was no problem with his boiler.
- I stated that *"The two earlier contractors did not deem the boiler beyond economic repair but their reports seem to be ignored."* This is incorrect, the first engineer replaced the PCB; the second engineer from the same contractor advised the boiler was BER and this was supported by the third engineer from the manufacturer.
- I stated *'He had agreed to his boiler manufacturer attending but then another service provider was sent instead. This is another reason why the first two reports should be preferred over the report provided by the other service provider.'* Again, this statement is incorrect. Two engineers deemed it BER after the PCB had been replaced and therefore these reports should be preferred.
- To ensure consistency, it uses one of the top parts suppliers in the country, when pricing parts. Individual parts might be available at slightly cheaper prices elsewhere, but it is not feasible to scour the internet looking for the cheapest prices for each of the thousands of jobs it carries out each year.
- It deals with claims for boiler breakdown only and is not involved in the pricing or replacing of boilers. There's no evidence that further faults have developed as the boiler has gone unrepaired, as claimed by Mr P.
- It is unclear what's meant by a 'deep service' of the boiler and what work this involved, and why?
- When I say that the whole heating system and boiler were only nine years old, am I saying this was a completely new and full installation or just a new boiler? If it was just the boiler on existing pipework, was a power flush carried out before the new boiler was fitted? This is important.
- Mr P said the alternative service provider showed him some clear liquid with debris in it. This is proof of sludge and scale in the system.
- The manufacturer's engineer's report is not being considered for what it is - an independent second opinion that must surely carry the greatest weight in the consideration of this complaint.
- It doesn't accept that Mr P felt there was no alternative but to replace the boiler, otherwise he would have asked his engineer to investigate this further for him and he wouldn't be disputing this now. It makes no sense to spend £4,500.00 if his engineer could fit a part costing £15-£30.
- I said *'The boiler was showing an 'F5' fault which means it was overheating - he was still getting heating and hot water intermittently, so it is impossible that all the things Great Lakes said were wrong with his boiler actually were wrong.'* This is incorrect,

sludge/scale within the system causes a blockage within the system/boiler and restricts the flow rate. This in turn causes the boiler to overheat (Customer reported noisy boiler when first logging claim in December 2017), and shut down as part of the safety mode. The boiler will then re-start once re-set, but the same issue will re-occur time and again.

- The policy excludes any claims arising from: ‘any work to repair damage caused by rust, sludge, hard water scale, corrosive water or water with a high chemical content’ and the manufacturer confirmed that the repairs required were due to sludge and scale and therefore any further work would be declined.

my findings

I’ve considered all the available evidence and arguments again to decide what’s fair and reasonable in the circumstances of this complaint.

Great Lakes has said that it only replaced the PCB and I have incorrectly said it also fitted some other small parts. However, its final response letter to Mr P following his complaint says: *“On Thursday the 11 January our Service Partner fitted a replacement PCB and other small parts, and reported the boiler was left in working order.”*(My emphasis.) However, I don’t think this makes any difference to the outcome of this complaint.

Great Lakes has also disputed a number of points which it refers to as statements that I have made. However, most of these are points and submissions that Mr P had made and which I listed in my provisional decisions as I set out the positions of the respective parties.

My second provisional decision set out why I did not consider that Great Lakes has proven that the boiler was BER. I have considered what Great Lakes has said but it has not provided any response to the specific issue of the costing of the repairs that were said to be necessary, other than saying it is not responsible for pricing of boilers.

Great Lakes’s first engineer said that parts that were estimated to cost around £400 were needed. He suggested there may also be further issues but this hasn’t been established. Great Lakes then got the alternative service provider to attend and inspect the boiler. It refers to this provider as being the “manufacturer” but they were not the manufacturer of Mr P’s boiler. And it appears they were called out to look at a fixed fee repair basis not on the basis of providing an expert detailed opinion. Mr P says he was not there long before determining that the repairs required were more than it would be prepared to do on a fixed fee basis.

The alternative service provider said a number of parts needed replacing but these are not the same as the previous engineer said were needed; and there is no estimate of the cost of these as against a like-for-like replacement boiler.

I remain of the opinion that there was not enough evidence to show that the repairs deemed to be required by the contractor on 15 January 2018 (*i.e.* the plate to plate heat exchanger, heating flow pipe, return pipe and o-rings) would not have been all that was required. And there is not enough evidence that the main heat exchanger and other parts also needed to be replaced and would render the boiler BER. There is no cost analysis of a like-for-like replacement boiler. While Great Lakes says that it is not involved in the pricing of boilers, this is required in order to establish that Mr P’s boiler was beyond economic repair.

I have not seen any documentary evidence about the draining down and refilling of the system but found Mr P's oral testimony persuasive. However, I made clear I had weighed up all available evidence and in view of the lack of convincing evidence that the boiler was BER, I considered that Great Lakes should have carried out some further repairs to the boiler in January 2018.

Mr P argued that his boiler was not BER but he was told that it needed considerable repairs. This was consistent, so it doesn't seem unreasonable to me that he decided to have it replaced. That decision, doesn't mean that Great Lakes was right to refuse to repair it. It could only refuse to repair Mr P's boiler, if it could establish that the cost of repair would exceed the cost of replacing it and I remain of the opinion that it has not established this was the case. Mr P's own engineer only advised that it was possibly a thermostat issue after he had replaced it.

Great Lakes has now also said that any further repairs would have been excluded anyway, as they were required due to sludge and scale in the system and this is specifically excluded under the policy. However, it had been intending to carry out the repairs until it said they would cost more than a replacement boiler. It has not apparently raised this previously and there is a dispute about the work required and presence of sludge. Even if I were satisfied it had proven that the repairs were required because of sludge in the system, I do not therefore consider that it is fair or reasonable to rely on this now.

I am not therefore persuaded to change the findings set out in my second provisional decision.

my final decision

I uphold this complaint against Great Lakes Insurance SE and require it to do the following:

- pay Mr P £3,500 (subject to evidence to support this amount and that Mr P has paid this) towards the new boiler, together with interest at 8% simple per annum from the date Mr P paid for it to the date of reimbursement; and
- pay Mr P £250 compensation for the delays in attending to the boiler and leaving him with a boiler that was not working properly until he could get it replaced.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr P to accept or reject my decision before 21 March 2019.

Harriet McCarthy
ombudsman