

Complaint

Mrs N (with representation from her husband, Mr N) complains that British Gas Insurance Limited didn't adequately check their boiler during an annual service, and that it dealt with their central heating claim unfairly.

Background

Mrs N have central heating cover (including an annual service) with British Gas Insurance Limited for several properties she and Mr N rent out. They also hold a product called "Landlord Safety Gas Certificate". This isn't an insurance product – and, although branded as a British Gas product, is provided by a separate legal entity to the insurance firm.

One of the properties is rented to a mother with two young children, one of whom is vulnerable. In early 2019, Mr N reports that they accidentally opened the water filling valve. He says the pressure valve should have opened to release the excess – but it didn't, causing the boiler to overflow.

Mr and Mrs N notified a claim on the policy. They say British Gas dealt with this poorly and wouldn't repair the valve, instead advising them to get a new boiler. They think it should therefore cover the cost of the new boiler; refund the £250 they paid their tenant due to being without heating for two weeks; refund the money they spent getting a separate engineer report; refund their yearly premium; and pay £400 for their time (including time booked off work) and petrol costs.

British Gas disagrees that it made an error. It said the time taken was due to it following Mr and Mrs N's instructions to order parts after it advised that some may be obsolete. During the claim, it discovered the flue elbow was also corroded. After replacing that, there were still leaks as well as issues sourcing parts. It says it therefore told them to get a new boiler.

Our investigator has explained that we can't consider the service provided when issuing the Landlord Gas Safety Certificate, as that wasn't done as part of the regulated insurance contract. However, as an annual service *is* included in the insurance contract, he did consider whether the issue(s) should have been picked up during that. But he didn't think the evidence substantiated that the annual services had been inadequate. And he thought the claim had been considered fairly.

Mr and Mrs N didn't agree with our investigator. They said the contract was to look after the boiler, and British Gas was obliged to do the repair. The case has now been passed to me for a final decision.

My findings

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'm not awarding the amount Mr and Mrs N are seeking – nor am I directing British Gas to take other action to resolve their complaint. I'll explain why. For ease, I've addressed the key points I've identified separately

Annual service

As our investigator explained, I can only consider whether British Gas made errors that caused Mr and Mrs N a loss when it – or agents acting on its behalf – carried out annual services through their central heating *insurance*. I can't consider any services or work done under the Landlord Safety Gas Certificate as that product isn't a regulated insurance contract. Nor was it provided by or on behalf of British Gas *Insurance Limited*, whose liability I'm considering in this case.

The main questions I've considered here are – was a fault with the boiler at the point of the last annual service that British Gas should have reasonably spotted? And if so, did this cause Mr and Mrs N to lose out?

Looking at the available information, I haven't seen anything to substantiate that British Gas ought to have checked the valve but didn't. Nor have I seen any suggestion that the valve was faulty at that point. I note that British Gas has explained that it would have issued a checklist with the person present for the annual service (so likely the tenant or landlords). But Mr and Mrs N haven't provided evidence that (for example) the pressure was dangerously low at the point of the last annual service. On balance, I can't reasonably conclude that British Gas ought to have known about the fault before the claim.

Claim

As a starting point, I've looked at the terms and conditions of the insurance contract. These do say that British Gas will cover repairs to the heating and hot water system. And I understand that, following the work it completed, the tenant was left without heating or hot water. So, I've considered what happened and why – to see if British Gas dealt with the claim fairly and reasonably, given its contractual obligations.

That said, I will clarify that I don't agree that British Gas is bound to complete repairs indefinitely and at any cost. I don't think any prudent insurer would do that. At some point, a judgement must be made about whether a repair is reasonably viable given the overall state of the boiler. It wouldn't be fair to expect it to complete expensive repairs if those outweighed the remaining lifespan of the boiler. Ultimately, the purpose of insurance is to indemnify the policyholder against specified perils. It's not designed to leave them in a better position to the one they were in prior to the loss or damage – as a new boiler would do here – or to cover ongoing maintenance responsibilities.

I've looked at the notes from the visits as well as the testimony provided by Mr and Mrs N and their tenant. It seems the time taken was largely due to British Gas needing to order parts. It says it advised that some parts could be obsolete. That matches what all parties have told us about the suggestion of getting a new boiler being raised by British Gas from the start, and fits with the age of the boiler (around fifteen years old at the time of the fault).

I can see that British Gas provided fan heaters whilst it was dealing with the claim. And it attempted to repair the fault. But it came across further issues – which again explains why there were multiple visits. For example, it found that the inner flue was brittle and had crumbled. It replaced this, but the boiler still wasn't functioning correctly. So in the circumstances, I consider it reasonable for British Gas to decide that the viable way forward was to replace the boiler. And that wouldn't be covered under the policy. The terms explain that boiler replacement is only covered if British Gas can't complete the repair *and* the boiler:

“...is less than 7 years old (or less than 10 years old if we installed it and have covered it ever since)”

Mr and Mrs N have provided a letter from the company which installed the new boiler they got. This letter says the boiler was repairable – but the decision was made to instead install a new boiler, particularly given the length of time without heating or hot water. This doesn't persuade me that British Gas should reasonably have been able to complete the repair. It doesn't, for example, provide any detail about how the boiler could be repaired – given the issues British Gas had sourcing replacement parts. And whilst I understand why Mr and Mrs N took the action they did, I'm conscious they did decide to get a new boiler despite seemingly having the option of getting it repaired. Although the time taken is stated as a reason for this – I haven't found that British Gas unreasonably delayed things. I've found that most of the time was due to the wait for parts, which isn't reasonably within its control.

So overall, I'm not persuaded that British Gas dealt with this claim unfairly. I think it took reasonable action to repair the fault – and it wasn't obliged to replace the boiler. I also haven't found reasonable grounds to direct it to refund the premium for the period of cover it provided. Even within this claim, it provided resources – such as replacing the flue. It's just that the repairs undertaken didn't fix the boiler. Moreover, British Gas has still borne the risk of providing repairs for the whole central heating system. And the premium is the agreed price for the risk it has taken on.

Customer service

I note that Mr and Mrs N have raised wider concerns about the service provided by British Gas throughout the claim. As noted above, I don't consider the overall time taken to be unreasonable. That said, I think it's possible there were some service failings. For example, the tenant has reported that an appointment was missed. So I've considered whether compensation is due for any undue distress and inconvenience caused to the policyholder.

I understand that the tenant was – understandably – upset about the situation. She didn't have proper heating or hot water for around two weeks and seems to have been left waiting for a missed appointment. But it's not within my remit to consider the impact on her. She isn't party to this complaint, nor is she British Gas's customer in this matter.

That said, I have considered the amount Mr and Mrs N say they paid their tenant due to what happened. But similarly, I think this goes beyond British Gas's liability under the contract. Ultimately, as landlords, they have obligations to their tenants that go beyond British Gas's contractual obligations to them. In all the circumstances, I don't consider it fair or reasonable to expect British to refund what they chose to pay their tenant.

Whilst I appreciate that the situation was undoubtedly stressful for the policyholder, I can only compensate for the unavoidable distress and inconvenience she suffered due to British Gas's errors. I do think the situation itself – rather than poor claim handling – caused a lot of the stress and upset. For example, looking at the proportion of the claim spent waiting on parts, that seems more a consequence of the boiler age/type than any errors by British Gas. Overall, I'm not persuaded that the impact of any mistakes by British Gas justifies awarding compensation.

My final decision

For the reasons given above, I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs N to accept or reject my decision before 2 January 2021.

Rachel Loughlin
Ombudsman