

complaint

Mr M complains that British Gas Services Limited made multiple errors when renewing his insurance policy. He's not happy with the amount he's been offered to put matters right, or the response to his complaint.

background

Mr M's 'level two' policy was due for renewal on 23 June 2017. On 2 June, after receiving a renewal price of £21 per month, he called British Gas and was quoted a cheaper price of £19 per month.

On 12 June Mr M spoke to British Gas due to an issue he had at his home with his drains. He says during the call he was offered 'level three' cover for an extra £7 per month – so a total of £26 per month, which is £312 for the year. Mr M says the advisor promised to call him back later that week to issue a new agreement, but the call wasn't received.

Mr M says he called British Gas back on 22 June and was told his level two policy had been cancelled from 11 June, in error. He says he was offered £30 compensation, and also told this was the maximum payable under the regulator's rules – but he says the regulator has since told him there are no such rules. A £30 cheque was sent to Mr M.

Mr M says the advisor called him back the following day and offered him level three cover for £324. Mr M later received a letter confirming the policy was in place for £324, which included a £12 discount for being a British Gas energy customer and a £6 discount for paying by direct debit.

British Gas' internal call notes show that Mr M called on 5 July to query a £19 payment that had been taken from his bank account on 5 June for his old policy, and to query the premium he was now paying for his new policy. He didn't believe a payment for his old policy was due in June because he understood British Gas had cancelled the policy mid-month, before the renewal date – and he was unhappy he was paying £324 for his new policy after first being quoted £312. The advisor refunded the £19 payment, and also the £12 difference between the initial quote and his premium – so a £31 cheque was sent to Mr M.

British Gas says Mr M called again on 10 July to confirm his payments and cover were now in place, and he was reassured cover was in place for £27 per month. But British Gas says its advisor failed to identify that the direct debit instruction had been cancelled on 23 June due to a system error – and because of this, no payments were taken for the first two months and the policy lapsed.

Mr M called British Gas again on 25 and 26 July after he noticed the payments hadn't been taken from his account – and he says one call lasted 83 minutes. British Gas reinstated the policy and a new direct debit was set-up for the remaining eleven months. British Gas also applied a £38 credit to Mr M's policy. £12 reduced the annual premium from £324 to £312, and £26 covered the first month's payment – which meant Mr M only had to pay £26 per month for the remaining eleven months.

Mr M complained about how his renewal had been handled. British Gas agreed the renewal had been handled poorly. It also acknowledged an agreed call back didn't happen; and said two advisors misinterpreted the original advisor's actions and therefore gave misinformation. It also accepted there were errors with Mr M's direct debit, and acknowledged complaint correspondence had been sent to his previous address on two occasions.

However, British Gas said the level two policy wasn't cancelled from 11 June, but rather the cancellation was arranged to be effective from the renewal date – when the new level three policy would start. It says the advisors simply misinterpreted the policy had been cancelled. In addition to the above phone calls, British Gas says Mr M called on 29 June to query why he had received policy documents for both a level two and a level three policy. British Gas says this happened because his old policy wasn't cancelled on 23 June as it should have been, but it was cancelled before a further payment was taken.

British Gas offered Mr M £20 for the misinformation its advisors had given; £20 for sending correspondence to an old address; £20 for administrative errors associated to the renewal; £30 for the delay in responding to his complaint; and £30 for the time and money he spent corresponding about this matter. So it offered £120 in total – but it only enclosed a £60 cheque.

In its complaint response letter, British Gas also explained it wasn't prepared to offer Mr M a further refund on his agreement. It said under its terms and conditions its existing customers aren't entitled to claim an introductory price, which it says the £19 per month level two price was. It also said due to the £38 credit, less than the introductory price had already been paid.

Mr M remained unhappy so he brought his complaint to this service. He's made the following points:

- His annual premium was £324. But he says it should have been £312, less £12 discount for being an energy customer and £6 discount for paying by direct debit – so £294. So Mr M says he's owed £30. Although, it's my understanding that he eventually paid his premium in full and so he is no longer claiming the £6 direct debit discount.
- He says he received two letters dated 23 June containing wrong information – the letters explained his cover was in force and his bank account details had been updated, which he says was untrue.
- He was left without cover for a 45 day period, between when his old policy was cancelled on 11 June and when his new policy was reinstated on 26 July – and this issue was only resolved because he called British Gas.
- The £19 level two renewal quote was not offered as an introductory price and there is no mention of pricing in his policy terms and conditions.
- Much of the commentary in British Gas' complaint response letter is untrue in terms of what happened.
- The false statement regarding maximum compensation under the regulator's rules has not been addressed or acknowledged by British Gas.

- British Gas left him without insurance; didn't tell him his insurance had been cancelled; and sent his personal information to an incorrect address – the compensation doesn't reflect these serious errors. Furthermore, British Gas offered a further £120, but only sent a £60 cheque.
- The £19 refund and £38 credit weren't compensation payments – but rather money owed for the periods his policies weren't in force.
- He has spent a lot of time corresponding with British Gas regarding the issues, including phone calls – and some of those conversations weren't recorded by the advisors and a promised return call wasn't received.
- In August 2017 he went into hospital for three days for an operation, and his recovery has been significantly impacted by this ongoing complaint.
- He's received three cheques for £30, £31, and £60 (so £121) – but none of these have been cashed yet.

One of our investigators considered the complaint, but he didn't think it should be upheld. He thought the £121 cheques, and the £38 credit applied to the policy, was fair compensation (although he incorrectly quoted the credit to be £50, rather than £38). Because Mr M disagreed, the complaint has been passed to me to decide.

I issued my provisional decision on 14 August 2019. I explained that I intended to uphold the complaint and decide British Gas should compensate Mr M a further £79 – but I said I would consider any further evidence or comments I receive. In my provisional decision I said:

"I have considered all the available evidence and arguments to decide what is fair and reasonable in the circumstances of this complaint. Where evidence is inconclusive or incomplete, I have reached my decision on the balance of probabilities – this means I have determined what I consider is more likely to have happened, based on all the evidence that is available and the wider surrounding circumstances.

Mr M has made detailed submissions, which I have read and considered. However, it's not my intention to comment on every point he's raised. My role is to determine the crux of the complaint, and to decide what's fair and reasonable in the overall circumstances. In doing so, I'm not bound by anything British Gas has previously offered.

Mr M has received copies of his call recordings from British Gas, and he says these show he was offered level three cover for £312. British Gas' call notes from 12 June, that we have been given, don't reference a £312 offer. But British Gas hasn't disputed he was offered cover for this amount, so I accept what Mr M says about the call recordings in his possession.

Mr M says a £12 energy customer discount, and a £6 direct debit discount, should have also been deducted from the £312 premium. But as I understand it, British Gas says its quotes were inclusive of these discounts. Having reviewed the various renewal letters that were sent to Mr M, and British Gas' call notes and internal notes – in my opinion it's unclear whether these further deductions were to apply to the £312 quote.

Mr M has highlighted a note on British Gas' system that confirms a £19 per month renewal price was quoted on 2 June for a level two policy, and he says this amount was before the £12 and £6 discounts had been applied. He says his £312 level three quote was simply an addition of £7 per month on the £19 per month level two price – so he says the two discounts still needed to be deducted from the £312.

However, the internal note on the 2 June explains a direct debit payment price was quoted. So in my view, this suggests the £6 direct debit discount had already been deducted. This is also supported by a level two policy renewal letter that was sent to Mr M on 22 June, which shows a £19 per month premium after the £6 direct debit discount had been applied. That said, neither the 2 June call note, or 22 June letter, mention the £12 energy customer discount (and this deduction is mentioned in all the other renewal letters).

Nonetheless, having thought about matters carefully, British Gas is in my view best placed to determine how its quotes were calculated – so overall, I accept what it says about the two discounts already being included in the quotes it gave. So I'm persuaded Mr M's premium should have been £312, not £294. However, I'm also persuaded British Gas could have been clearer about what was included in its quotes at the time of communicating them to Mr M – and I've taken that in to account when considering compensation.

I understand Mr M has received three cheques for £30, £31, and £60 – plus a £38 credit was applied to his policy. So he's received £159 in total.

In my view, it's not clear what figure British Gas was offering Mr M when it responded to his complaint – whether it was offering a further £120 to the £61 already paid, or £120 in total. But given that it only sent a £60 cheque I've assumed the latter. In any event, I've considered what's fair and reasonable compensation overall.

In respect of the £159, I've made the following observations:

- Mr M's policy was priced at £324, not the initially quoted £312. So I consider it fair for £12 to have been refunded.*
- British Gas says Mr M's previous level two policy wasn't cancelled early. Mr M disputes this based on what he was previously told. But on balance, I accept what British Gas now says given it's looked into the matter. As such, I'm not persuaded that the £19 refund for June's payment was due.*
- British Gas offered to pay the first month's premium for Mr M's new policy – which in my opinion is fair given the payment wasn't taken, and the policy lapsed, due to British Gas' system error. But I'm persuaded the credit should have only been £26, not £38. This is because £12 was to reduce the annual premium from £324 to £312 – but this £12 had already been refunded as part of the £31 cheque.*
- So of the £159, I'm persuaded £12 and £26 should be considered as refunds due, which was the amount British Gas credited to the policy, i.e. £38. The remaining £121 should be considered as compensation.*

Mr M says he was left without cover for 45 days. As explained above, I'm not persuaded his policy was cancelled on 11 June – and although his policy lapsed in July, it was reinstated from the renewal date. In any event, no claim was made during the period in question, so there hasn't been any detriment – and if a claim had been made, this service would have expected British Gas to have treated Mr M as if his policy hadn't lapsed; given its system error caused the situation.

However, I'm persuaded British Gas made multiple errors during the renewal process, which includes giving Mr M incorrect and unclear information – and British Gas has largely accepted this. So I've thought carefully about what compensation should be paid.

Having considered all the submissions of both parties, I'm satisfied that Mr M was caused considerable trouble and upset by the issues that arose – particularly in terms of his time, effort, and frustration. In my opinion, £121 doesn't adequately compensate Mr M for the impact the issues had on him.

I intend to decide that in addition to the £38 credit that was applied to Mr M's policy, a total of £200 compensation should be awarded to him. £121 has already been sent to Mr M via three cheques, which leaves a further £79 to be paid.

If the three cheques haven't been cashed yet, and Mr M now has difficulty doing so due to the time that's passed since they were issued, he should make arrangements with British Gas to return them, so it can reissue the £121."

In response to my provisional decision, Mr M reiterated many of the points and arguments he had previously made – so I won't repeat them here. He also interpreted my provisional decision to be an award of £279, in addition to the £121 British Gas had already paid. He explained that he didn't accept £279, but he would accept a further £350. British Gas explained it had nothing further to add.

my findings

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

Having done so, I've reached the same outcome I reached in my provisional decision for the same reasons. Mr M has made many of the same arguments and it's clear he disagrees with some of the timeline I've documented in the background section of my decision, particularly in terms of the funds British Gas applied to his account and the payments it made. But I'm afraid there's not much more I can add to what I said in my provisional decision. I will however clarify my opinion of the £38 credit and the award I said I intended to make.

Mr M says he hasn't received the £38 credit. He points towards a renewal letter which shows 11 monthly payments were due totalling £286, which he paid. However, the letter also shows the policy covered a 12 month period and the annual premium was £324. I understand that British Gas reinstated the policy, to cover the full 12 months, as if it hadn't lapsed – which is why the full £324 annual premium was payable. But because British Gas had applied a £12 credit to reduce the annual premium from £324 to £312, and a £26 credit to cover the first month's premium which had been missed due to the policy lapsing, only £286 was left outstanding. So I'm persuaded Mr M received the benefit of the credit – the policy was reinstated so it covered the full 12 months, but the premium was reduced and only 11 months was paid for by Mr M.

In response to Mr M's comments, I would also like to clarify I was aware his original level two policy didn't lapse, but rather it was cancelled. In the background section of my provisional decision I noted his original policy was arranged to be cancelled on its renewal date, when his new level three policy was due to start. However, his level three policy did then lapse, due to a system error with his direct debit instruction.

My provisional decision wasn't £279 on top of the £121 already paid. I said Mr M had so far received £159. I said £121 had been received via three cheques, and £38 credited to his account. I said in *addition* to the £38 credit, a *total* of £200 compensation should be paid. Because Mr M has already received £121, I said this would only leave £79 to be paid.

As I explained in my provisional decision, I accept multiple issues arose during the renewal process and these impacted Mr M. But having considered all the points he's made and the wider circumstances, I still consider a further £79 to be a fair and reasonable outcome.

my final decision

I appreciate Mr M will remain disappointed. But for the reasons I've set out above, and in my provisional decision, I uphold this complaint.

My final decision is British Gas Services Limited should compensate Mr M a further £79. I make no further award.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 26 October 2019.

Vince Martin
ombudsman