

complaint

Mr S's complaint relates to a kitchen appliance section of his home emergency insurance policy with British Gas Insurance Limited.

background

Mr S's policy with British Gas covers a property he rents out. In November 2018, while he was away on holiday, the washing machine in the property broke down. His rental agents arranged for a contractor to attend. He determined that the washing machine drum had failed and the cost of replacing this would mean the washing machine was uneconomical to repair. He recommended therefore that the machine be replaced. Mr S's letting agents replaced the machine at a cost of £600.

Mr S later realised that he had cover under the policy with British Gas and so contacted it to ask for a contribution towards the new machine.

British Gas refused, as it says it is not its fault that Mr S didn't make a claim at the time and it has been denied the opportunity to try and repair the machine.

One of our investigators looked into the matter. He recommended the complaint be upheld and that British Gas pay a contribution of £75 towards the replacement machine. The investigator said the policy doesn't stipulate that British Gas (rather than an independent contractor) had to determine the machine was beyond repair and in any case, it would have to show it had been prejudiced by the use of a non-British Gas approved contractor and it has not done so. Overall given the circumstances, the investigator said that the rough cost of a replacement like-for-like machine would be around £250 and the policy provides for a contribution of 30% of this cost (as it was more than three years old) so British Gas should pay Mr S £75.

British Gas does not accept the investigator's recommendation. It says it does not pay cash in lieu of any repairs and it is not reasonable for it to pay a retrospective payment for a fault it knew nothing about. Mr S may well have forgotten about the cover but this means he didn't contact British Gas and it didn't visit the property. No other insurance policy is likely to pay for repairs done by a third party in such circumstances either.

As the investigator was unable to resolve the complaint, it has been passed to me.

my findings

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

The appliance cover section of the policy says British Gas will cover:

"All repairs to the kitchen appliance(s) shown on your statement.

A contribution towards a replacement if we can't repair it or we decide it will cost less to replace than to repair. We'll source the replacement from our approved supplier and make the following contribution based on their current retail selling price:

- *100% if your appliance is less than three years old*

- 30% if your appliance is three years old or more

You may use our contribution towards an alternative model of your choice from our approved supplier. There is no cash alternative.

replacement/replace/replacing

- in the case of Kitchen Appliance Cover we'll provide a contribution towards a replacement appliance with similar functionality from our approved supplier...

We won't offer you cash instead of carrying out an annual service, repairs or replacements."

While I accept that Mr S should have made a claim at the time, and it is not British Gas's fault that he did not do so, my remit is to consider what is fair and reasonable in all the circumstances of the case. Mr S did hold cover and if it had not been for this oversight (in not realising he had the cover until after the event) it is likely that British Gas would have come out and either repaired the machine or offered a contribution to a new one.

Therefore unless British Gas can establish that it has been prejudiced by this oversight, it seems to me fair and reasonable that British Gas pay what it would have paid had the claim been made at the correct time.

British Gas questioned the invoice from the contractor and whether the machine could have been repaired. It suggests that this would amount to prejudice.

The contractor that inspected the machine said it needed a new drum which would cost between £100 and £150, plus labour (which he said would be a few hours' worth). I have no reason to doubt this diagnosis. The machine was repairable but the contractor that went out determined it was uneconomical to repair.

However, British Gas may have been able to complete the repairs for less than the contractor, so it is possible that it could establish prejudice if the cost of the claim is more than it would have cost it if Mr S had reported it to British Gas at the correct time. I will go on to consider this.

The proposal the investigator made was based on an estimate of £250 to replace the machine with a like-for-like, make and model of the same age (*i.e.* the cost of a second-hand machine). However, the policy doesn't state that a replacement machine would not be new-for-old. The policy only refers to replacement and current retail value of the replacement on a like-for-like basis (which is not defined in the policy) I think it is reasonable to take that as meaning it would be replaced with a new appliance.

Mr S replaced the machine at a cost of £600, which included fitting and the removal of the old machine. Mr S said throughout the complaint that the appliance itself was £480. Mr S replaced the machine with a different brand but the prices seem comparable. So, while not a precise science, I consider it would be reasonable overall for British Gas to pay 30% of the cost of the new appliance, *i.e.* £160.

Turning to whether this would cause British Gas prejudice, I do not think this has been established. I say this because while we don't know exactly how much it would have cost British Gas to repair the washing machine, given that the contractor said a new drum would be £100-150 and there would be considerable labour involved as the machine was integrated, it seems unlikely British Gas could have repaired it for less than the £160 I am

proposing. I do not therefore consider British Gas has been prejudiced by not having the chance to assess if the machine was repairable, as it is unlikely any repair would have cost less than £160.

my final decision

I uphold this complaint against British Gas Insurance Limited and require it to pay Mr S the sum of £160 in full and final settlement of his complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 1 October 2020.

Harriet McCarthy
ombudsman