

complaint

Mr A complains that British Gas Insurance Limited mishandled his home care insurance policy.

background

British Gas was the insurer responsible for dealing with claims under Mr A's policy. Where I refer to British Gas or the insurer I refer to the insurance company by that name and I include its engineers and others for whose actions I hold it responsible.

Mr A called the insurer for help with his hot water and central heating system. He complained that the insurer wouldn't fix it - or cancel the policy and give him a refund.

our adjudicator's opinion

Our adjudicator didn't recommend that the complaint should be upheld. She thought that the system leaked due to a build-up and blockage of sludge and scale – which the policy didn't cover. She said British Gas had apologised and offered sufficient compensation for missed appointments and other poor service.

my provisional decision

After considering all the evidence, I issued a provisional decision on this complaint to Mr A and to British Gas on 15 August 2018. I summarise my findings:

After the power flush British Gas should've replaced the main heat exchanger free of charge.

British Gas cancelled Mr A's policy in early 2018.

Mr A could've found another company to replace the main heat exchanger, but he chose to have a replacement boiler.

Much of the inconvenience was borne by Mr A's tenant.

Subject to any further information from Mr A or from British Gas, my provisional decision was that I was minded to uphold this complaint in part. I was minded to order British Gas to:

1. refund (insofar as it hasn't already refunded) all premiums Mr A paid for the policy year from November 2017; and
2. pay Mr A simple interest on each amount it refunds at a yearly rate of 8% from the date Mr A paid it to the date British Gas refunds him. If British Gas considers that it's required by HM Revenue & Customs to withhold income tax from that interest, it should tell Mr A how much it's taken off. It should also give Mr A a tax deduction certificate if he asks for one, so he can reclaim the tax from HM Revenue & Customs if appropriate; and
3. provide evidence of what it would've cost it to replace the main heat exchanger; and
4. pay that amount to Mr A; and

5. pay Mr A simple interest on that amount at a yearly rate of 8% from 20 May 2017 to the date it pays him. If British Gas considers that it's required by HM Revenue & Customs to withhold income tax from that interest, it should tell Mr A how much it's taken off. It should also give Mr A a tax deduction certificate if he asks for one, so he can reclaim the tax from HM Revenue & Customs if appropriate.

Mr A accepts the provisional decision. But he says, in summary, that he asked British Gas in June or July 2017 to cancel the policy and to return the premium if it wasn't going to carry out any more repairs. Instead, British Gas renewed the policy in November 2017. Then British Gas cancelled the policy and refused to pay a refund. The boiler was not very old. If British Gas had changed the big heat exchanger, it would've started working for a few years more, Mr A says. He has provided some receipts including one for about £630.00 for the new boiler. Installation was separate in addition, Mr A says.

British Gas disagrees with the provisional decision. It says, in summary, that Mr A's heat exchanger was damaged by sludge. British Gas gave a quotation to flush the system and to replace the heat exchanger. Mr A chose to have a third party flush. But he didn't replace the heat exchanger. After the flush, British Gas found sludge and scale was still present, it says.

my findings

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

Mr A had an annual British Gas policy. He paid for it by monthly instalments of about £18.00. Mr A's cover was called "*central heating breakdown*". It covered parts and labour for repairs. But it didn't cover a power flush or a replacement boiler.

And the policy contained the following exclusion:

*"Damage caused by limescale, **sludge** or other debris – if we've told you before that you need to carry out **repairs**, improvements or a **British Gas Powerflush**, or a similar process, but you haven't done so"*

So the policy didn't cover damage caused by scale or sludge if Mr A hadn't followed a British Gas recommendation that it should do a power flush.

In May 2017, Mr A reported a problem. From the notes made by British Gas, I find that Mr A's boiler had two heat exchangers. On about 12 May, British Gas changed the smaller plate-to-plate heat exchanger. But it found that the main heat exchanger had sludge in it. British Gas recommended a power flush.

From its final response, I find that British Gas didn't keep an appointment on 19 May.

Mr A got another company do a power flush. From its certificate, I think that was on 20 May. From what Mr A says, that got the heating working but the water wasn't very hot. Mr A says the flush cost about £250.00. And he has recently provided a handwritten invoice for £200.00 which mentions £50.00 cash.

British Gas didn't keep an appointment on 22 May. Despite the other company's flush, British Gas said on 24 May that it would charge to replace the main heat exchanger. Mr A

complained that if British Gas wasn't going to cover the boiler then it should cancel the policy and refund what he'd paid.

Mr A says that – weeks after the other company had done a flush – British Gas quoted him about £800.00 for a power flush. British Gas hasn't disagreed with what Mr A says. So I find that it did belatedly quote £800.00 for a power flush.

After re-arranging an appointment on 29 June, British Gas reiterated on 30 June that it would charge to replace the main heat exchanger.

British Gas sent a final response letter dated 13 July 2017. It apologised for three missed appointments. But the letter didn't uphold Mr A's complaint about getting the boiler fixed or getting a refund.

Nevertheless the letter said British Gas was sending Mr A £140.00 *"for the inconvenience"*. British Gas has suggested it was a refund of premiums. But that's not what its final response said. So I accept Mr A's statement that it was for the inconvenience caused by the cancelled appointments.

From what I've seen, I don't find that Mr A had said clearly that he wanted to cancel the cover at this stage. So I don't find that British Gas treated Mr A unfairly by continuing to collect monthly payments or by sending Mr A a renewal letter in November 2017.

I've seen his photograph of a long-standing discharge from the overflow pipe. Mr A called British Gas out again. Its notes include the following:

"H/W CYCLING, PLATE ISSUE, PASSING DOWN CH".

From that note, I find that – despite the power flush – there was still a problem with the supply of hot water.

On 18 November 2017 Mr A sent British Gas an email including the following:

"Therefore as I have requested before please cancel my plan and refund my total premium for the last least 5 years."

He had complained before that - if it wasn't going to fix the problem - British Gas should cancel the policy and refund what he'd paid. But I think the email of 18 November was the first time Mr A told British Gas that he definitely wanted it to cancel the policy.

I keep in mind the new heat exchanger in May 2017. So I don't think British Gas treated Mr A unfairly by not making a refund of his payments since May 2017. But I don't find that British Gas treated Mr A fairly by renewing the policy in late November and continuing to take the payments.

From what he says, British Gas cancelled Mr A's policy in early 2018. Mr A says British Gas didn't refund anything. But it's common ground that British Gas stopped collecting the monthly payments.

I find it fair and reasonable to order British Gas to refund (insofar as it hasn't already refunded) all premiums Mr A paid for the policy year from November 2017. I also intend to order British Gas to add interest at our usual rate.

In about early January Mr A said he'd got a new boiler. He later told us that it cost him about £630.00. And he has recently provided a handwritten invoice for £630.52. I have no reason to doubt his statement that this didn't include the cost of installation. But I haven't seen any separate invoice or evidence of payment for installation.

Mr A brought his complaint to us on the evening of 12 January 2018 – just within six months from the final response.

British Gas has told us that its policy didn't cover damage caused by sludge and scale. But that's not what its policy terms said. They said that British Gas wouldn't cover damage caused by sludge and scale if the policyholder hadn't followed a recommendation to get a British Gas power flush "*or a similar process*".

British Gas isn't the only company that can do a power flush or a similar process. So I don't think it would be fair and reasonable for British Gas to rely on the quoted exclusion on the basis that it recommended that it should do a power flush but instead Mr A got another company to do a similar process.

The main heat exchanger already had sludge in it when British Gas made its recommendation of a power flush. There were no more than a few days between that time and the time the other company did a power flush. So there's no evidence that sludge or scale caused damage after that recommendation.

Recently British Gas sent us some comments from its technical team. They included the following sentence:

"A powerflush will not clear sludge from this particular type of heat exchanger."

From that sentence, I find it likely that the main heat exchanger would've remained affected by sludge whether or not British Gas or the other company did a power flush.

From what Mr A has said, the power flush did some good to the system – it got the heating working. So I'm not persuaded that it would be fair to order British Gas to reimburse him that cost.

But I do think that – after the power flush - British Gas should've replaced the main heat exchanger free of charge.

In the end, Mr A said he'd paid about £630.00 for a replacement boiler. He says this was because no other company would touch the boiler after what British Gas had said. But I find that unlikely. I think he could've found another company to replace the main heat exchanger, but he chose to have a replacement boiler.

So I've thought about what's fair and reasonable to put Mr A in the position he would've been in if British Gas had agreed to replace the main heat exchanger. I've thought about ordering compensation for distress and inconvenience. But from what I've seen, much of the inconvenience was borne by Mr A's tenant.

I find it fair and reasonable to order British Gas to provide evidence of what it would've cost it to replace the main heat exchanger – and to pay that amount to Mr A. I also intend to order British Gas to add interest at our usual rate from 20 May 2017.

my final decision

For the reasons I've explained, my final decision is that I uphold this complaint in part. I direct British Gas Insurance Limited to:

1. refund (insofar as it hasn't already refunded) all premiums Mr A paid for the policy year from November 2017; and
2. pay Mr A simple interest on each amount it refunds at a yearly rate of 8% from the date Mr A paid it to the date British Gas refunds him. If British Gas considers that it's required by HM Revenue & Customs to withhold income tax from that interest, it should tell Mr A how much it's taken off. It should also give Mr A a tax deduction certificate if he asks for one, so he can reclaim the tax from HM Revenue & Customs if appropriate; and
3. provide evidence of what it would've cost it to replace the main heat exchanger; and
4. pay that amount to Mr A; and
5. pay Mr A simple interest on that amount at a yearly rate of 8% from 20 May 2017 to the date it pays him. If British Gas considers that it's required by HM Revenue & Customs to withhold income tax from that interest, it should tell Mr A how much it's taken off. It should also give Mr A a tax deduction certificate if he asks for one, so he can reclaim the tax from HM Revenue & Customs if appropriate.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr A to accept or reject my decision before 8 November 2018.

Christopher Gilbert
ombudsman