

complaint

Mr Z complains that Automobile Association Insurance Services Limited (AA) mis-sold him a policy. He's also unhappy about how it handled his claim.

AA arranged and handled the policy and is the correct business for the mis-sale and claim handling complaint to be about.

background

Mr Z phoned AA as the electrics in his home kept tripping. He says AA told him to buy its home response plus insurance policy. The insurer's engineer found the problem was with the immersion heater which needed replacing. Two days later Mr Z was told the policy didn't cover replacement of the immersion heater. The insurer paid Mr Z £20 as a goodwill gesture.

Mr Z complained to us that he'd been mis-sold the policy as he wasn't covered. He said AA refused to refund the payment he'd made although it said it would if it couldn't fix the problem. Also it delayed telling him he wasn't covered for two days causing him more stress. He wants the refund and compensation.

AA said it hasn't mis-sold the policy as in the sales call it told Mr Z the boiler and heating system wouldn't be covered.

Our investigator listened to the sales call and didn't think AA had mis-sold the policy. AA had told Mr Z it was a non-advised sale (so it had to give Mr Z clear information about the policy but not make any recommendation). AA told Mr Z the boiler and heating wasn't covered by the policy and Mr Z bought the policy. AA also told Mr Z that if he cancelled the policy within the cooling off period it would take a £110 payment for the work completed.

Further developments then happened. In summary:

- AA said Mr Z had initially been charged £69 upfront as a service charge for consumers requiring its service who didn't have an existing policy.
- It had told Mr Z there was a £110 call out charge if he cancelled the policy in the cooling off period. If Mr Z still wanted to cancel the policy he'd paid £88.98 in premiums. As a good will gesture it would waive the £21.02.
- Mr Z didn't cancel his policy and made a claim on it about a different issue – a sink leak. After our involvement in his separate complaint about that matter the insurer accepted the claim.

Mr Z wanted an ombudsman's decision on his policy mis-sale complaint and the other issues he'd raised about the immersion heater claim. He has said he paid an additional £78.99 for the repair but has also mentioned he was charged a £50 call out fee for work that wasn't completed.

my provisional findings

I made a provisional decision explaining why I was intending to not uphold this complaint. I didn't think AA mis-sold the policy. I didn't think it had to pay Mr Z any compensation for not telling him he wasn't covered for the immersion heater sooner. On the information I had I didn't think AA had to return any payment Mr Z initially paid. I said:

mis-sale

I've listened to the policy sales call. AA told Mr Z the sale was non-advised and what that meant. Mr Z told AA there was an issue with the wiring which could be from the cooker or boiler or 'anywhere'. AA gave Mr Z clear information what the policy covered. Mr Z then asked if the policy covered the boiler and AA clearly told him the policy didn't cover the boiler or central heating. Mr Z said he wanted the policy.

Before the policy was set up Mr Z asked AA whether the electrician who came out would know about plumbing too as there was a problem when the boiler as well as the cooker turned on. AA told him again the policy didn't cover the boiler. Mr Z confirmed he wanted the policy.

AA didn't mis-sell the policy. It was very clear to Mr Z the boiler wouldn't be covered by the policy he was buying and he bought the policy knowing that information.

compensation

The policy says AA 'arranges' 'handles' and 'delivers' the policy. The policy doesn't say it does so on behalf of the insurer, who underwrites the claims. So I think it's reasonable for me to consider Mr Z's concern about a delay in telling him the part wasn't covered against AA, not the insurer.

From AA's records I understand the engineer attended Mr Z in the evening of 23 February, the same date he bought the policy. On 24 February AA told Mr Z it was waiting for the engineer's report and would be able to tell him the next day if there was cover for the ongoing work required. Having received the report that a new immersion heater was needed it told Mr Z he wasn't covered on the morning of 25 February.

I think it was reasonable for AA to wait for the engineer's report to tell Mr Z he wasn't covered. Also from AA's notes Mr Z had been told by the engineer that the immersion heater was the problem and AA had already very recently told him the boiler wouldn't be covered. There was no unreasonable delay and there's no basis for me to say AA should pay Mr Z compensation.

is any money due to Mr Z?

In the policy sales call AA told Mr Z that as he didn't already have a policy it could give him assistance but he had to pay a supplementary payment of £69 plus one month premium payment of £9.99. That's the £78.99 Mr Z has mentioned paying. I understand the amount was payable to AA as a service charge and not collected on behalf of the insurer but AA needs to confirm that to me. AA doesn't need to refund that amount. I've no evidence that AA told him he'd be refunded the amount if the problem wasn't fixed. In any event, AA's notes say the engineer isolated the immersion heater at the fuse spur and had the power back on. The engineer couldn't permanently repair the problem under the policy as that required a new immersion element that wasn't covered.

From the information I have Mr Z never paid the £110 charge as he never cancelled the policy. He continued to pay the monthly premiums and had the benefit of the policy by making a successful claim. If Mr Z did pay any part of the £110 both parties need to tell me, with evidence. AA also needs to tell me if that payment was collected on the insurer's behalf, if so any complaint about that should be to the insurer.

As Mr Z didn't cancel the policy no premium refund is due to him.

Mr Z has said he paid AA £50. That's very likely to be the claim excess as that's the excess amount he chose to pay in the sales call. It's not clear from the information I have whether the £50 Mr Z paid was for the claim he made about the electric tripping or leak claim. The policy is clear that an excess must be paid for any emergency attendance. It's not dependant on whether there's a permanent repair.

If the £50 was the excess for the electric tripping claim and Mr Z wishes to complain about that I understand the claim excess will be payable to the insurer, not AA. So Mr Z would have to complain to the insurer about that issue. If the claim excess is payable to AA, not on the insurer's behalf, then it must tell me in response to my provisional decision'.

responses to my provisional decision

AA said Mr Z didn't pay the £110 charge as the policy had completed a full policy year before cancellation and that charge was no longer applicable. The £50 excess was for Mr Z's leak claim and was collected by AA on behalf of the insurer.

Mr Z said:

- I wasn't correct that in the sales call AA told him that the boiler and heating wasn't covered as it told him to take the cover for electric, heating and plumbing so he would be fully covered. It hadn't said it didn't cover immersion heaters. He believed he was covered so he said the policy was mis-sold.
- He accepted there was a £110 fee if work was done and the policy cancelled in 14 days but he said no work was done and he wasn't able to cancel the policy within 14 days as AA's complaint procedure took longer.
- AA told him on the phone that the £69 upfront service charge was refundable if it couldn't fix the problem, which it didn't. He didn't think it's fair for AA to charge the £69 and a further £110 fee for work not carried out.

Mr Z also made various comments about his claim for the leak.

my findings

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

For the reasons given in my provisional findings and these findings I'm not upholding this complaint.

As I said in my provisional decision, I've listened to the policy sales call and I'm satisfied AA didn't mis-sale the policy to Mr Z. He may have believed he was covered for everything but AA was very clear to him that the policy didn't cover the boiler. It's clear from the call that Mr Z bought the policy knowing the boiler wasn't covered. AA didn't need to tell him in the call about all the parts that weren't covered by the policy. It gave him enough information for the policy not to be mis-sold.

I've seen Mr Z's comments about the £110 charge but AA has confirmed Mr Z wasn't charged that amount as he never cancelled the policy within the 14 days. AA acted fairly in not charging Mr Z the £110 charge.

In the policy sales call AA didn't tell Mr Z he would be refunded the £69 upfront supplementary charge if the problem wasn't fixed. The policy doesn't say that charge will be refunded. AA acted fairly in charging Mr Z the £69 supplementary charge and it doesn't need to refund that amount.

I explained in my provisional decision why there was no unreasonable delay by AA and there's no basis for me to say AA should pay Mr Z compensation. Mr Z hasn't given any further evidence for me to consider on that point and no compensation is payable.

AA says the £50 excess Mr Z mentioned was for the leak claim, not the claim that this complaint is about. In his response Mr Z has made some comments about the leak claim but I'm not going to comment on the matter as we've already looked at his complaint about that claim.

my final decision

I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr Z to accept or reject my decision before 26 August 2018.

Nicola Sisk
ombudsman