

complaint

Mr and Mrs C's complaint is about the handling of a claim under their home emergency insurance policy with British Gas Insurance Limited. Mr and Mrs C are also unhappy with the cost of the policy.

background

Mr and Mrs C have held a central heating insurance policy with British Gas for some time. The policy initially covered them at their previous address. Mr and Mrs C moved to their current address in November 2017.

Shortly after moving into their new property, British Gas sent a contractor to check their heating system. I understand that while carrying out this check, the engineer broke a tap in their utility room. When Mr and Mrs C contacted British Gas about this, they were told to arrange the repairs with the contractor themselves. Mr and Mrs C were unhappy with this, as they considered it was British Gas's responsibility, as it had appointed the contractors.

Mr and Mrs C had also asked British Gas to investigate why they were unable to get hot water from the tap in the kitchen, which was not done.

When bringing the complaint about these matters, Mr and Mrs C also raised issue with the cost of the policy. They said they paid £384 for the previous year and then were charged £427 despite them moving to a (almost) new build home, compared to their previous home which was over 100 years old. In addition, the 2017 policy covered a gas fire as well as the central heating system, whereas the new policy only covers the central heating. And the renewal premium for November 2019 was even higher. Mr and Mrs C say the price just keeps going up and up and this is unfair.

Mr and Mrs C want the tap repaired or replaced, so they can have hot water again, a proportionate refund of the premium for the time the tap was out of action; and the right to cancel the contract without any penalty charges.

British Gas said that it had issued a new policy contract when Mr and Mrs C moved house and it offered a new customer discount during the first year of the policy at their new address (from November 2017 to November 2018); this is a flat new customer rate as they didn't know any details about the make, model and age of the boiler or size of property and number of radiators. In the following year, Mr and Mrs C no longer benefited from the introductory offer and their premium was calculated on a risk based assessment, as British Gas then had more information about the property and the risk being covered

British Gas accepted there were delays in repairing the tap. It arranged the repairs shortly after the complaint came to us in February 2019 and agreed to pay £75 compensation for the delay in doing so. Mr and Mrs C have confirmed they are satisfied that this resolves this part of their complaint.

British Gas also looked into the issue with the kitchen tap in May 2019. It said this was not covered by the policy and again I understand Mr and Mrs C have accepted that.

One of our investigators looked into the complaint about the cost of the policy and did not consider that it should be upheld. The investigator said that the policy for their previous address had been due to end in April 2017 and for the following year (*i.e.* April 2017 to April

2018) would have cost £636.12. British Gas said that when they moved house, it issued a new contract and this was on new customer rates (*i.e.* just the straight base rate without an other factors included) as it wouldn't know anything about the property and the heating system and therefore how likely claims would be and the nature of the risk it was taking on. The investigator thought this was reasonable.

Mr and Mrs C do not accept the investigator's assessment and say he has not understood their arguments. They have made a number of submissions in response, which I've summarised below:

- The policy didn't end in April 2017, it continued on with the direct debit that was in place. In any event, this is irrelevant. They were never told that the contract on their old house would end and a new one would start for the new house.
- It is not clear which house British Gas was covering from 7 November 2017.
- 2017 was not the first year they held the policy; they were not new customers and were not given any introductory offer. They were told British Gas was unable to do this as it had to check the boiler and the number of radiators/appliances in the property. It did not come to do this until 9 January 2018. So, in the interim what was the insurance covering and in what property?
- Despite coming out to carry out the inspection to see what required cover, they subsequently discovered that the gas hob wasn't covered. This was negligence on British Gas's part, as it should have been included. They've had to pay a further premium for the hob to be added.
- They've received the renewal documents for November 2019 – November 2020 policy year which has now gone up to £512.40 for the central heating and £129.72 for the gas hob.

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.

Insurers are generally entitled to decide the premium they want to charge for the insurance provided. And consumers are free to choose whether they are willing to pay that premium; obtain insurance elsewhere or not take the insurance at all.

Normally insurers calculate a base premium rate for a policy and then other factors they consider relevant to the risk being covered are applied, which might bring that base premium up or down. Different insurers apply different factors. I can't set out in detail the factors that British Gas consider relevant and apply to its policies, as these are commercially sensitive but I have considered the information it has provided.

Mr and Mrs C's cover previously ran from April to April each year and in April 2017 they were quoted £636.12 (to also include gas fire) for the following policy year at their old address.

Mr and Mrs C then moved house in November 2017 and British Gas issued a policy document on 15 November 2017. I have seen the policy documents issued to Mr and Mrs C, which say the agreement would run from 15 November 2017 to 14 November 2018 at a cost of £384 (considerably less than the amount that was being charged on their previous home). The documents also specify the agreement address as their new address.

In my opinion, it is therefore clear that from 15 November 2017 there was a new policy contract in place, covering Mr and Mrs C's current home.

I have also seen the pricing information, which as stated is commercially sensitive, and it reflects what British Gas has said about the policy which ran from November 2017 to November 2018, (*i.e.* that they were charged the flat base rate that applies to new customers). Then at the November 2018 renewal, British Gas applied certain other factors to calculate the premium for that year, including the size of the property, geographical factors etc.

The most significant reason for the change in the price in 2018, from £384, was however the rise in base rate but British Gas also capped the rise so that the premium for that year was £427. This is still considerably lower than the premium charged for their previous home (which as Mr and Mrs C have said had a much older central heating system and also included a gas fire).

British Gas provided documentation to Mr and Mrs C in advance each time the policy was due to renew, which set out clearly the price it was intending to charge. The price of the cover has gone up in the time they've held the policy. Since November 2017 it has gone from £384, to £427, and then to £512 in 2019. I don't think these are unreasonable increases. Having applied a discount in one year, it is not committed to doing so in any following years.

Overall, I am satisfied that Mr and Mrs C were treated fairly and in line with other customers; and I'm not persuaded that the premiums have been calculated unfairly or that British Gas needed to provide any further information to Mr and Mrs C, who were free to choose another policy elsewhere if they didn't accept the premium.

If they wish to cancel the policy now, then I don't think British Gas is required to waive any fee that the policy allows it to charge. There is no evidence that I'm aware of that Mr and Mrs C had asked for the gas hob to be included in the cover previously but, even if they did, there's no mention of any claim needing to have been made which was not covered, so I don't intend to take this any further. It is now included in the cover.

I understand Mr and Mrs C accept that the problem with obtaining hot water from one tap is not covered by the policy. I don't therefore intend to make any finding about this.

In relation to the broken tap, British Gas has paid £75 compensation. I consider this to be reasonable.

my final decision

I uphold this complaint in part, as I agree that the payment of £75 is reasonable compensation for the distress and inconvenience caused by the broken tap and the delay in repairing it.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr and Mrs C to accept or reject my decision before 9 April 2020.

Harriet McCarthy
ombudsman