

complaint

Mr C's complaint is about the refusal of a claim under his central heating insurance policy with Royal & Sun Alliance Insurance Plc.

background

Mr C made a claim under his policy in January 2019 after his boiler broke down. RSA sent an engineer out the next day. He said there were leaks from the heat exchanger and condensate trap, as well as the trap being full. RSA contacted an engineer from the manufacturer to see if he could fix the boiler.

The manufacturer's engineer attended a few days later. He apparently said he couldn't access the boiler to safely repair it, as it is situated on a cupboard around five feet off the ground. He also said it would be a job for two men. RSA asked if Mr C could make the boiler more accessible, by removing the cupboard around it.

Mr C says the boiler is in the airing cupboard, which is a brick built structure integral to his home, and so he can't remove any part of it. The manufacturer's engineer apparently said it couldn't fix the boiler in its location, so RSA said the boiler was beyond economic repair. RSA said the policy terms mean that there is no cover for a replacement boiler and there was nothing more it could do.

Mr C is very unhappy with this. He has cancelled his policy and arranged to have the boiler repaired by an independent gas engineer. Mr C said his engineer disagreed with RSA's diagnosis, and said the most likely cause of the leak was hairline cracks of the ignition electrode ceramics. Although he also said that the heat exchanger had a leak and the condensate trap needed replacing, he thought these weren't the cause of the breakdown. Mr C says RSA misdiagnosed the fault and unnecessarily asked him to make the boiler more accessible. Mr C wants RSA to reimburse the costs of repair £1,149 (consisting of £699 for parts and £450 for labour).

RSA maintains that it has done all it could under the policy. It says the policy excludes cover for repairs if the parts needed would cost more than 75% of the cost of a new boiler. In this case the cost of parts needed for Mr C's boiler would exceed the cost of a new boiler, so repairs are not covered. However, RSA said it should have told Mr C at the outset that the repairs would not be covered under the policy and acknowledge that this caused him some inconvenience. It offered £150 compensation for this. I understand this has already been paid.

One of our investigators looked in the matter. He did not recommend the complaint be upheld. The investigator said that using Mr C's engineer's quote for the cost of the parts needed, which was £699 (inclusive of VAT) for the heat exchanger, condensate trap, electrode and electrode wiring harness but not including labour, meant the cost of repairs would be more than 75% of the cost of a new boiler. The investigator therefore thought that RSA's decision to turn down the claim was fair.

Mr C doesn't accept the investigator's assessment. He has made a number of submissions, which I've summarised below:

- RSA's engineer completely misdiagnosed the fault. Leaking exchange heaters and condensate traps do not affect ignition, which is the reason he made the claim.

- The cost of installing a new boiler will far exceed the cost of the repairs he had done.
- Following the misdiagnosis by RSA's engineer, RSA ordered a new heat exchanger and condensate trap and asked the manufacturer to install them. The manufacturer then declared the boiler as beyond economical repair and he then became a pawn in a game between the two organisations, neither of which had an interest in serving the customer.
- RSA cannot hide behind the "*beyond economic repair*" clause when it purchased all parts necessary to repair the boiler and instructed the manufacturer to complete it. And the manufacturer cannot hide behind the boiler location in the airing cupboard being too high because from 2006 to 2012 it serviced and repaired the boiler several times without its location ever being an issue.
- This is clearly a case of the manufacturer and RSA being business rivals and he has have been caught in the middle of their stand-off.
- It was more or less three weeks to complete the repair, not one week as stated by the investigator.
- His engineer had the boiler working again within ten minutes, albeit temporarily until all the additional parts identified by RSA were installed. The boiler was not therefore beyond repair.

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 policy Mr C holds states:

"If the boiler is beyond economic repair and there is no boiler replacement cover we will not carry out a repair or offer a contribution or replacement."

It defines "*beyond economic repair*" as being:

"The cost of parts including VAT, using reputable suppliers, this should not exceed 75% of the price of a boiler of the same or similar make and model to your boiler on cover."

Similar conditions are contained in most boiler insurance policies and I don't think it is inherently unfair. If a boiler is deemed to be beyond economic repair, it doesn't mean that the boiler cannot be repaired but rather that the cost of the repairs is more than a new one would cost, or in this case 75% of the cost of a new one.

Mr C also says the boiler parts were all still available which means the manufacturer considered the boiler to be a "*worthy product*" and so worth repairing. This might well be the case but the issue here is whether the cost of those necessary repairs are covered by the insurance policy with RSA or not.

When assessing the cost of the replacement boiler, it is sufficiently clear in my opinion from the definition above, that it would be the price of the boiler only that is relevant, and the labour costs of installation would not be included. RSA has said the same make and similar model of Mr C's boiler was available for just under £600. The investigator didn't find any for more than £800. I've not seen any evidence to contradict these figures. I am therefore

satisfied that £800 is a reasonable comparison price to use as against the cost of the replacement parts needed to repair Mr C's boiler.

Mr C says that RSA misdiagnosed the problem with the boiler and that the cause of the fault that gave rise to the claim was the problem with the ignition. He therefore implies the cost of this part only should be used to determine if the boiler was beyond economic repair.

Mr C's engineer provided three quotes to him. The first was for the:

"supply and fit new main heat exchanger, due to existing one leaking. Also, supply and fit new electrode, condensate trap and electrode wiring harness, to hopefully remedy existing ignition lockout."

It might be that the issue that led to the boiler shutting off was the problem with the ignition but I am not persuaded the quote from Mr C's engineer means that the heat exchanger and condensate traps were irrelevant to the fault.

Mr C's engineer also found the circulation pump needed replacing but provided a separate quote for this, albeit at the same time; and the third quote was for a new room thermostat, which would also be a separate issue. And while RSA's engineer focused on the heat exchanger and condensate trap, as Mr C's engineer also diagnosed these as needing replacing, I do not accept that RSA completely misdiagnosed the issue.

Given the above, it seems to me therefore that the heat exchanger and condensate trap were required to get the boiler working properly, they were part of the overall repair and so the cost of these parts is relevant to the decision about whether it was beyond economic repair. RSA's engineer said the cost of these parts would be over £600 and Mr C's engineer charged £699 for them.

Even using the price of £800 for a new boiler (rather than the lower figure provided by RSA) and the lower figure of £600 for the parts (rather than the £699 Mr C was actually charged) this would mean the costs of the parts were 75% of the price of the boiler. I am not therefore persuaded that RSA has acted unfairly or unreasonably in determining that the boiler was beyond economic repair in accordance with the policy terms.

Mr C also says that RSA and the manufacturer were competing against each other, rather than trying to help him and that the manufacturer's engineer incorrectly asked him to remove the cupboard around the boiler.

From the evidence available, I am satisfied it was not necessary to remove the cupboard. The boiler was apparently serviced each year and Mr C's engineers repaired it, without any issues with its location.

I have no jurisdiction over the manufacturer's engineers in their own right, as I can only consider the actions of RSA in this decision. However, RSA instructed the manufacturer to try and repair the boiler – it was therefore acting as RSA's agent in this situation and that was the only reason it was involved. Mr C says they are *"business rivals and I have been caught in the middle of their stand off"*. However, there is simply no basis to this. I can see no other reason for RSA contacting the manufacturer other than to try and assist Mr C.

The manufacturer's involvement did not resolve the problem with the boiler and I can appreciate Mr C's frustration regarding its insistence on the access being made, when this

was not apparently necessary. However, this in itself does not, in my opinion, mean that RSA should reimburse Mr C's costs of the repairs.

RSA was apparently prepared to cover the repairs and its decision to deem the boiler to be beyond economic repair was prompted by the manufacturer saying access needed to be made. However, I do not consider that this binds RSA to carry out the repairs when there is sufficient evidence that they are not covered.

I am satisfied that it has been established the boiler was beyond economic repair, so even though it was prepared to repair the boiler at the outset, RSA is not bound by this. While RSA tried to do the repairs in order to assist Mr C, I agree that some compensation is appropriate to reflect that this should have been determined earlier and that not doing so has caused Mr C some trouble and inconvenience. I consider the £150 already paid by RSA to be reasonable.

my final decision

I don't uphold this complaint against Royal & Sun Alliance Insurance Plc, as I consider it has already made an offer of settlement that is fair and reasonable in all the circumstances of the complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C to accept or reject my decision before 3 September 2020.

Harriet McCarthy
ombudsman