

complaint

Mr S complains that the Society of Lloyd's ("Lloyd's") won't pay a claim he made under his home emergency insurance policy when his boiler broke down. He is represented in bringing this complaint by his wife, Mrs S.

background

I issued a provisional decision on this complaint on 6 March 2019, a copy of which is attached to, and forms part of, this decision.

Lloyds said it would accept my provisional decision.

Mrs S said that their paperwork from Lloyd's at the time they first took out the insurance included a letter saying "*Also, because your boiler is relatively new, if we can't repair it within 12 years of its installation, we'll replace it absolutely free saving you another £2,500*". She said this supported Mr S's complaint.

I asked the investigator to point out that the following words came after the sentence Mrs S had quoted – "*Please see the brochure enclosed*". The investigator asked if Mr S still had this brochure. When this was produced, the investigator pointed out that it contained the following exclusion:

"3.4 The boiler will not be replaced if spare parts are not available for the make/model of boiler specified in the Schedule during the term of cover."

Mrs S responded to say, in summary, that:

- it must surely be a requirement of a supplier to make sure that all parts are available during the length of an insurance period;
- 10 years wasn't an excessive age for a boiler;
- Lloyd's shouldn't have sold insurance if parts to permit a claim to be made were no longer available. She felt they had been paying for something they couldn't claim on;
- the exclusion should have been in larger print; and
- she didn't think Lloyd's should be able to get away with doing no repair after discovering the condensate leak in September 2017

my findings

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

Lloyd's is an insurer, not a supplier of boilers. When the policy commenced in 2014, the boiler had already been in place some 7 years.

Lloyd's provides insurance in respect of boilers provided by many different manufacturers. It isn't in a position to tell manufacturers for how long they should carry spares for their boilers. And I don't think it's reasonable to say it should know at any time what the spares availability is for any particular age, type, or make of boiler.

It's not unusual for policies of this kind to contain limitations on the length of time for which a boiler replacement provision will apply. I think the exclusion in this case was set out sufficiently clearly in the policy terms.

Lloyd's has acknowledged that it should have raised the issue of the condensate leak with Mr S when its engineer found it in September 2017. But as parts to repair this weren't available then, Lloyds wouldn't have been required to repair or replace the boiler then. So I can't say Mr S was materially worse off when the boiler failed completely three months later in December 2017.

All in all, my view remains as set out in my provisional decision.

my final decision

My decision is that I uphold this complaint in part, and order the Society of Lloyd's to pay Mr S compensation of £300.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 20 June 2019.

Lennox Towers
Ombudsman

COPY OF MY PROVISIONAL DECISION OF 6 March 2019

complaint

Mr S complains that the Society of Lloyd's ("Lloyd's") won't pay a claim he made under his home emergency insurance policy when his boiler broke down. He is represented in bringing this complaint by his wife, Mrs S.

background

Mr S had home emergency policy with Lloyd's covering repairs to his boiler since 2 November 2014. His boiler was then some 7 years old.

Mr S had his boiler serviced by Lloyd's approved engineer in September 2017. The engineer noted on the service form "evidence of condensate leak". However he didn't suggest any further work or investigation.

In December 2017 Mr and Mrs S noticed water leaking from the boiler. They called on Lloyd's under the policy. The engineer who came said there was corrosion from the boiler casing. An engineer from the manufacturer came and said the boiler couldn't be repaired and shut it down.

Mr S asked Lloyd's to contribute towards the cost of a replacement boiler as the existing boiler was beyond economic repair and the policy provided for a contribution of up to £2,500 if the boiler was up to 10 years old. Lloyd's thought the boiler was in fact more than 10 years old and so refused their claim. Mr and Mrs S replaced the boiler at a cost of more than £3,000 and then complained to us.

Our investigator recommended that this complaint should be upheld. She said there had been unjustifiable delay on the part of Lloyd's in making up its mind on whether, because of its age, the boiler was covered and if so for what amount. She thought that, on the facts, the boiler fell within the boiler replacement provisions of the policy, and that the amount payable was £2,500.

She recommended that Lloyd's pay Mr S:

- £2,500, being the maximum amount for boiler replacement cover under the policy;
- Interest at the annual rate of 8% simple on this amount from the date of the claim until settlement; and
- £300 as compensation for the distress and inconvenience the delays by Lloyd's had caused Mr S.

Mr S accepted the investigator's recommendation. Lloyd's responded to say, in summary, that it accepted that the issue should have been resolved after the boiler service in September 2017, and that Mr S had the benefit of a boiler replacement guarantee under his policy.

However it pointed to the following part of the boiler replacement guarantee in the policy under the heading "*What we do not cover under this section*":

"3.4 The boiler will not be replaced if spare parts are not available for the make/model of boiler specified in the Policy Schedule."

Lloyd's produced an email from the manufacturer of the boiler confirming that the parts which had failed were never available as spare parts, and this also applied in September 2017. So it said it had correctly declined to make a contribution to a replacement boiler under the policy terms and conditions, and shouldn't be required to pay Mr S £2,500 plus interest.

It did agree that it should have dealt with the issue in September 2017. So it agreed to pay Mr S compensation of £300 for the stress in inconvenience its delays had caused him.

my provisional findings

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

I agree that there was unreasonable delay on the part of Lloyd's in coming to its decision that it wouldn't make any contribution under the policy to a replacement boiler. And there was confusion in the reasons it gave for its decision. It spent time arguing, wrongly, that the age of the boiler meant it was outside the boiler replacement provisions of the policy.

Lloyd's has now pointed to the provision in the policy terms which I have set out above. I also note the same wording is set out on page 7 of the policy booklet. So I agree that in the circumstances which happened Lloyd's wasn't required to make a contribution towards a replacement boiler under the policy terms, and this would have been the case even if it had dealt properly with the issue in September 2017.

Lloyd's has accepted that it didn't deal properly with the issue after the boiler service in September 2017. It has agreed to pay Mr S compensation of £300 for the distress and inconvenience this caused Mr S. I think this is fair and reasonable in the circumstances.

my provisional decision

For the reasons I've explained, but subject to any further comments and evidence I receive from either Mr S or from Lloyd's by 6 April 2019, I intend to uphold this complaint in part. I intend to order the Society of Lloyd's to pay Mr S compensation of £300.

Lennox Towers
ombudsman