

complaint

Mr C is unhappy with the cost of his homecare policy arranged by British Gas Services Limited.

background

Mr C has had a British Gas homecare plan – covering his boiler, plumbing, central heating etc. – for a number of years. In addition, the plan also included ‘kitchen appliance cover’ for a number of Mr C’s kitchen appliances. The annual premium for Mr C’s plan for the 2017/2018 policy year was £757.23.

In June 2018, Mr C received his plan renewal pack from British Gas; his premium for the 2018/2019 policy year was £904.35. Mr C contacted British Gas to discuss the cost of his renewal and it agreed to apply a 20% discount, reducing his premium for the coming year to £696.86.

In February 2019, Mr C contacted British Gas again because he wanted to reduce the cost of his monthly outgoings. He said to British Gas that he’d been on its website and found policies that cost less than he was currently paying. British Gas looked into the matter for him and, on finding that it’d already applied a 20% discount to his premium for the year told him it wouldn’t be able to discount it any further. British Gas offered to cancel Mr C’s policy, reduce the level of his cover or add an excess if he preferred but he declined to do so. It also said that new customers paid an introductory price for the first year they had the policy after which renewal prices were calculated and tailored to the individual.

British Gas told Mr C that factors which affected the price charged included the age, make and model of the appliances, breakdown history, geographical location and any increase in the cost of running the business. Mr C said he’d found a policy for £384 on line, but British Gas said this was for new business boiler cover alone and didn’t include any kitchen appliance cover. It said if that was included then the new customer price would increase to £576 for the year to have the same cover as he had. British Gas offered to set a reminder call to call him around renewal time to discuss his renewal.

Unhappy with what he’d been told by British Gas, Mr C complained to this service. Our investigator looked into his complaint but didn’t recommend that it was upheld. Mr C said he didn’t think it was fair that new customers were made an introductory offer. He asked for his complaint to be referred for an ombudsman’s decision.

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 C thinks it’s unfair that British Gas offers introductory discounts on its homecare policies to new customers. And he thinks he’s paying too much for his plan.

I can’t tell British Gas what price it needs to charge to cover the risk of Mr C making a claim under his homecare policy. That’s for British Gas to decide, based in part on the risk it thinks there is of him needing to make a claim and its wider commercial requirements. What this service can do though, when a consumer complains about the price they have been charged, is look at whether the provider has treated the consumer fairly and whether it can explain why it’s charged the price it has. We can then explain to the consumer that we’ve

checked the price they've been charged and are satisfied that they've been treated fairly and in line with the way that the provider has treated all its other customers with similar risk profiles.

It's important to understand that this service doesn't normally assess whether a price is too high to cover a particular risk. That's for the insurer to decide based on its appetite for risk and its business requirements more generally. So, we won't normally say whether a product represents good value for money. We generally accept that providers can charge what they like for their plans so long as they act fairly. In simple terms, that means that they should apply their chosen pricing model consistently provided the consumer has flexibility to shop around and change insurer if they wish. I'm satisfied that's the case here.

Here British Gas has explained that all its customers pay an introductory price for the first 12 months, however, thereafter the price is automatically generated and tailored to each customer. British Gas says it takes a number of factors into account when calculating the price to charge (age, make and model of appliances, breakdown history and geographical cost) and it says it takes its wider commercial requirements into account too. I'm satisfied from what British Gas has told us that it's treated Mr C fairly and in the same way that it would any of its other customers with similar circumstances. I don't think it's singled him out in any way.

Whilst I can see here that a new customer on an equivalent plan is charged about £120 less than Mr C, I can't ignore that the home emergency plan market is a highly competitive one and new policies typically include significant discounts in order to attract new customers. But that in itself isn't necessarily unfair. Renewing home emergency cover will involve a bit of time and effort to get the best terms. People who take the time to shop around often end up paying less. And I don't think British Gas should have to compensate Mr C for this in the circumstances of his complaint.

my final decision

My final decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C to accept or reject my decision before 11 October 2020.

Claire Woollerson
ombudsman