

complaint

Mrs D complained that her home insurer Royal & Sun Alliance Insurance plc (RSA) misled her during a call she made to it after her boiler broke and, as a result, she incurred costs.

background

Mrs D's boiler suffered an internal leak and her plumber said it needed replacing. It was an oil fuelled boiler. Gas had recently been installed in Mrs D's area and she had the option of changing to a new gas boiler, at a cost of £2,480 on a three-year interest free basis. She called RSA to see if the boiler would be replaced, like-for-like, under her policy. She was asked to send a cause of damage report which she did. RSA then said this showed her boiler had failed due to an escape of water and if she provided an invoice for replacement it'd look to pay that.

Mrs D got the boiler replaced, like-for-like, at a cost of £2,180. She had to pay this on a credit card. She provided the invoice to RSA and then called it a couple of days later to see when she'd be reimbursed. RSA told Mrs D it had made a mistake – she wasn't covered because the escape of water hadn't resulted from freezing. RSA said it wouldn't reimburse her costs and noted, regardless of its mistake, she'd have had to replace the boiler anyway. It sent her £100 compensation for the upset its error had caused.

Mrs D complained to this service. Our investigator, having noted that Mrs D had paid for her new boiler on a credit card, with a high APR, which she wouldn't have done but for RSA saying it would reimburse her, felt RSA should cover Mrs D's interest costs. But he said it could deduct £300 from any interest costs due to be paid to Mrs D to account for the extra £300 she would have paid for the gas boiler, if RSA hadn't misled her. He felt the compensation offered was fair.

RSA initially objected to the findings but following some further points being made by our investigator, it accepted what he'd said. Although it pointed out Mrs D would need to prove she was incurring interest on the cost of the boiler.

Mrs D wasn't prepared to accept the findings. She felt RSA had really let her down and treated her very badly. She said she was still trying to pay off her credit card and that RSA fairly needed to reimburse her cost for replacing the boiler, as it had said it would do.

my findings

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint. Having done so, and with regret for any disappointment this may cause Mrs D, I'm not minded to find any differently to our investigator.

RSA did fail Mrs D. That is not in doubt. RSA has to make up for that. But at this service we don't fine or punish insurers. Rather we say that, when a failure occurs, the insurer must act to put the policyholder back into the position they would have been in, but for the failure.

In this case RSA's failure was misleading Mrs D about the fact it would cover the cost of the replacement boiler. If it had acted correctly, and told Mrs D it wouldn't cover this cost, Mrs D, as she herself has said, would have arranged for a new gas boiler to be installed. The overall cost would have been similar but she'd have been able to pay for the gas boiler over a few years on an interest free basis. RSA's failure though prevented her from doing that. Furthermore, RSA's advice caused Mrs D to pay for the new oil boiler on a credit card. So instead of the cost being interest free, it is attracting interest. It isn't fair that Mrs D incurs that cost. RSA must cover that, subject to proof it is being incurred.

I also think it is fair for RSA to be allowed to deduct £300 from any interest it is due to pay Mrs D. Again, if RSA had given Mrs D the correct advice, she would always have paid £300 more for the new gas boiler than she did pay for the replacement oil boiler.

I understand how frustrated Mrs D is. And as I said above, RSA did fail her. But I can't reasonably make it pay her the full replacement cost of the boiler. This was never covered by her policy and she would always have needed to replace the boiler. So RSA's advice didn't cause her to undertake an installation that otherwise wouldn't have occurred. As I said above, RSA's failure caused Mrs D to incur interest. And that is what it must make up for.

RSA also caused upset, frustration and worry. It's offered £100 compensation in this respect. I'm satisfied that is fair and reasonable in the circumstances.

my final decision

I uphold this complaint. I require Royal & Sun Alliance Insurance plc to:

- Upon sight of proof of costs being incurred, which attracts interest and the applicable APR, calculate the interest Mrs D will incur on the replacement cost of the boiler (£2,180) over the next three years, deduct £300 from that figure and pay the remainder to Mrs D.
- Pay Mrs D £100 compensation.

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

Fiona Robinson
ombudsman