

complaint

Mr M complains on behalf of the estate of Mrs M that the premiums British Gas Insurance Limited charged Mrs M for her home emergency policy were too high; it failed to tell her that the level of cover had changed and she wasn't getting the cover she was paying for; and the cover wasn't suitable for her needs.

background

I issued a provisional decision on this complaint in September. An extract of the provisional decision follows:

Mr M's late mother, Mrs M, had a home emergency policy with British Gas for many years. The policy provided an annual service of her boiler, and cover for call outs to deal with breakdowns in her heating and hot water system.

Mr M complained to British Gas that the level of cover had changed, because it no longer included 'all eventualities', but British Gas didn't tell his mother about this change, which meant his mother had been paying for cover that she wasn't in fact receiving. And he said the premiums had been too high, because it had increased each year, and British Gas failed to take proper account of the number of call outs or other factors that should have led to the premium going down.

British Gas said it provided details of the policy each year at renewal, so Mrs M had a chance to consider whether she wanted to continue with it. And the premium had been calculated correctly, using relevant factors such as the number of call outs. British Gas said it had acted correctly, but as a goodwill gesture offered compensation of £100 to recognise that Mrs M had been a loyal customer.

When Mr M brought his complaint to this service, our adjudicator didn't uphold the complaint. He said British Gas had provided relevant information about the policy to Mrs M, and had calculated the premium fairly. Mr M disagrees and has requested an ombudsman's decision.

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.

There are three main areas of concern raised by Mr M and I'll deal with each in turn.

change in cover

Mr M says that when his mother first took out the policy, she was covered for all eventualities. By this, he means that British Gas wouldn't just carry out repairs – if the boiler couldn't be repaired at an economical cost, it would provide a replacement. After a number of years, her cover changed; British Gas would only cover repairs and would no longer provide a replacement boiler.

The policy terms say a replacement boiler will be provided in certain circumstances, depending on the age of the boiler. So it's true to say that once Mrs M's boiler was too old for this term to apply, she was no longer covered for a replacement. This is clearly set out in

the policy terms and I'm satisfied that if the policyholder has seen the policy documents, they would be aware of the nature of the cover provided.

The problem in this case is that British Gas didn't send a copy of the policy terms to Mrs M each year when she renewed the policy. The terms are available on its website and policyholders were told they could check the terms there. Mrs M was in her 80s and 90s during the life of the policy. Mr M says his mother didn't use the internet, and was noted on British Gas' records as being elderly and vulnerable. He says it was unfair to expect her to read the policy terms on a website.

Mr M has referred to guidance about this. When making decisions, I have to take account of relevant law, guidance and good practice. Insurers have to provide information that's clear, fair and not misleading, to allow customers to make their decision about taking out a policy. That information should be given in a way that's accessible to the customer; providing information electronically is only appropriate if the customer has access to the internet. British Gas was aware of Mrs M's age, and noted on its records that she was vulnerable. There was no record to show that she had access to the internet or used electronic communications.

In these circumstances, I don't think it was reasonable for British Gas to assume that Mrs M would have checked the policy terms on its website. So I'm not satisfied that it provided clear information to her about the policy terms, allowing her to make a choice about whether to renew her policy each year.

Having said that, I can't say that Mrs M would have acted differently if she'd had more information. She had the benefit of cover, and made use of this on several occasions. But she lost the opportunity to review the cover fully at renewal. It would likely have been frustrating for her if she had to renew her policy without being able to see the policy terms.

British Gas previously made a payment of £100 as a goodwill gesture. I think there should be a further payment for the inconvenience caused, and a sum of £300 is reasonable.
my findings

the premiums charged

It's not for me to say how an insurer should calculate the cost of covering a particular risk. Different insurers will have different views of how likely it is that a claim will be made. An insurer may charge a higher premium if it feels the risk is higher, provided all policyholders in the same situation are treated in the same way.

British Gas has now provided more detailed information about the things it takes into account when setting premiums. I can't disclose all the details, as they are commercially sensitive. But I can say that the price was based on a core price, which is then adjusted depending on factors such as call outs, and discretionary discounts. The pricing model has developed over time, so more recent calculations may not be based on precisely the same factors as previously. I'm satisfied, however, that the pricing factors have been applied consistently and the premium was calculated in line with British Gas' pricing model as it developed. So I don't think British Gas has acted unfairly.

duplicate cover

The policy includes an annual service as well as breakdown cover. Mr M says his mother told British Gas in 2011 and again in 2012 that she'd arranged for her boiler to be inspected each year by a local plumber, so she didn't need her policy to include a service. He says other policies were available and should have been offered to his mother - if they had been, she would have paid a lower premium.

Mr M has given some details of calls his mother made to British Gas. Although I accept that she had conversations with British Gas, there isn't clear evidence of what was discussed. British Gas acknowledges that there were some calls, but says these concerned breakdown appointments. There's no record of other things being discussed. Due to the time that has passed, it no longer has recordings of the calls. Sadly, as Mrs M has passed away she isn't able to help with this.

On balance, there's not enough evidence for me to be satisfied that Mrs M did tell British Gas she had other arrangements for servicing her boiler, or that she didn't need the level of cover she was paying for. So I don't propose to uphold this part of the complaint.

my provisional decision

For the reasons given, I intend to partly uphold the complaint and direct British Gas Insurance Limited to pay compensation of £300 to the estate of Mrs M.

developments

Mr M has confirmed that he received the provisional decision but hasn't made any further comments.

British Gas says it has checked with its correspondence team and any letter with a certain code included in the reference will have a hard copy of the terms and conditions enclosed. And it says the renewal letters to Mrs M would have included a copy of the terms, because they all had that code on them.

Because of this British Gas says she was given a copy of the terms in a suitable format, so was able to make an informed choice about renewing her policy.

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, I'm not changing my conclusions.

I've had no further comments about the premiums charged or about duplicate cover. So the only point I need to consider further is whether British Gas sent Mrs M hard copies of the terms and conditions.

British Gas says any letter which has the relevant code included in the reference will include a hard copy of the terms and conditions. So they would have been sent to Mrs M. On the other hand, Mr M says he has all the correspondence, and the letters don't include copies of the terms. So there's a direct conflict of evidence and I have to make a judgment on what I think is most likely to have happened.

I note that the first renewal letter on file tells Mrs M to read the terms and conditions which are enclosed. But none of the other renewal letters say that. The letters all refer to the terms being available on the website. British Gas says that just means the latest version will be available online. But if a hard copy were sent, that would presumably be the latest version too. So there'd be no need to check online.

I can't be sure whether copies were sent. Although British Gas says letters with that code would include a hard copy, the evidence doesn't show that in this case they were actually sent. The evidence is contradictory. And Mr M has been consistent in saying they weren't enclosed. On balance, I don't think the evidence is enough to be satisfied that Mrs M did receive the hard copies.

my final decision

My final decision is that I partly uphold the complaint and direct British Gas Insurance Limited to pay compensation of £300 to the estate of Mrs M.

British Gas Insurance Limited must pay the compensation within 28 days of the date on which we tell them Mr M accepts my final decision. If it pays later than this it must also pay interest on the compensation from the date of my final decision until the date of payment at 8% per year simple.*

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M, on behalf of the estate of Mrs M, to accept or reject my decision before 21 November 2016.

Peter Whiteley
ombudsman

* * If British Gas Insurance Limited considers that it's required by HM Revenue & Customs to take off income tax from that interest, it should tell Mr M how much it's taken off. It should also give Mr M a certificate showing this if he asks for one, so he can reclaim the tax from HM Revenue & Customs if appropriate