

complaint

Mr O is unhappy with the service provided by Homeserve Membership Limited in relation to his central heating insurance policy.

background

I understand that in April 2013, Mr O made a claim for a problem with his boiler. An engineer attended and found that the heat exchanger was blocked. The engineer cleared some sludge from the heat exchanger and restored the heating and hot water. He also recommended a power flush be carried out to prevent further problems.

Power flushes aren't usually covered under the policy and so Mr O had to pay for this himself and it was done on 29 April 2013. If he hadn't had it done, the policy would have been cancelled on the basis that the sludge present in the system (and which would be removed by a power flush) was likely to lead to other problems with the boiler.

As far as Mr O was concerned, having had the power flush done, his cover was still in place. However, in July 2013 he noticed that the premium had not been deducted and when he asked about it. Homeserve told him it had cancelled the policy, as although it had been told by the engineers that the power flush had been done, it hadn't removed the 'suspended' notice from his policy. Mr O tried to get the policy reinstated - Homeserve initially said it would do so - but later it said it couldn't, as it no longer offers new policies for the type of boiler Mr O had.

In January 2014, Mr O's boiler broke down. However, Homeserve told him the policy was cancelled and so it couldn't help him. Mr O had to find an engineer to install a new boiler at a cost of £3,000.

Mr O is unhappy as he says:

- The power flush wasn't needed: if he had known Homeserve would cancel his policy a month later, he wouldn't have paid for it.
- The engineer left the property for several hours while the power flush was meant to be being done, so he cannot be satisfied it was done properly (and he was probably charging double for his time)
- He asked "countless times" and was promised copies of the invoice for the power flush and a summary of the work done but Homeserve failed to provide this.
- If he hadn't had the problems with Homeserve, he would have been able to spend time over the summer months getting a new boiler package cheaper, with a power flush included.
- He incurred extra cost with the new boiler installation because he was unable to prove that a power flush had been done only eight months earlier.
- He could have got a new boiler and installation (which would come with automatic power flush), for £2,500. He paid just over £3,000 for the boiler and installation plus £500 + VAT for the power flush in April - a total outlay of £3,600. The difference is therefore £1,100 and he wants Homeserve to pay him this amount.
- Mr O also wants compensation for the efforts made to chase Homeserve, compile his complaint to us, "the stress and nastiness of the frozen conditions in January...this was extremely unpleasant and humiliating"; and "The anxiety/stress and deep deep frustration of having to argue a case when the need should never have arisen because Homeserve should never have cancelled the policy."

- Homeserve faked letters it says it sent him: when his boiler broke down in the freezing month of January, he hadn't received the letter it dated 9 December. That letter arrived on 23 January - i.e. after he chased them to come to my boiler
- Homeserve must be "suitably penalised for such appalling behaviour".
- He has done nothing wrong, whereas Homeserve has told numerous lies and made numerous errors. The £150 offered is an insult given all this.

One of our adjudicators looked into the case. Initially she thought it should be upheld but then she reconsidered and determined that the evidence was that Mr O hadn't paid twice for a power flush and so Homeserve didn't need to refund this. She did, however, recommend that Homeserve pay him £100 compensation for cancelling his policy incorrectly (in addition to £50 already offered by Homeserve but not cashed by Mr O).

Mr O remains unhappy and has asked that I review the case.

my findings

I have considered all the available evidence and arguments to decide what is fair and reasonable in the circumstances of this complaint.

I think Homeserve should have reinstated the policy. Just because it doesn't accept new policies for his boiler type doesn't mean that it cannot reinstate a policy that was only cancelled due to an error on its part. It has confirmed that the policy would have been renewed if it hadn't made the error.

However, I don't think it would have made much difference to the position Mr O found himself in when the boiler needed to be replaced. This is because replacement boilers aren't covered under the policy, and therefore he would still have had to pay for a new boiler, even if Homeserve had not wrongly cancelled the policy. However, the policy does provide that Homeserve will pay a £200 contribution towards the cost of a new boiler if it is not repairable. It seems to me therefore that Homeserve should pay the £200 contribution but it would be entitled to deduct the premiums that would otherwise have been paid as well. I understand that these would be just under £200 for the year (and it would be entitled to a full year's premium). Therefore there may not be much due to Mr O. If the premiums are more than £200 then no payments should be made.

As I don't think that Homeserve would have been required to replace the boiler, it follows that any discomfort and inconvenience resulting from being without heating and hot water while waiting for a new boiler to be installed cannot be attributed to Homeserve. I therefore don't think that Homeserve is liable to compensate Mr O for this.

I am also not convinced that the power flush wasn't needed. There is evidence that there was sludge in the central heating system. The policy was intended to continue once the power flush was done and so although Mr O says he wouldn't have had it done if he'd known his policy would have been cancelled, it wasn't intended to be cancelled. He had it done because it was needed and therefore I can't direct that Homeserve reimburse the cost to him.

I can't comment on the conduct of the engineers who carried out the power flush, the time taken or indeed the provision of the invoice and paperwork. This is because it was done as private work and not as part of the insurance cover. I can only consider regulated activities –

which in this case would be the activity of carrying out an insurance contract. The power flush wasn't part of the insurance contract.

I have seen an email to Mr O from the engineer who installed his new boiler which says: *"I have not included a power-flush in my quote, so you will not be paying for it twice. but I have included a power-wash which is different to a full power flush...This is the minimum we do on every boiler change"*.

Therefore, even though Mr O couldn't prove that he had already had a power flush, this doesn't seem to have resulted in him having to pay anymore for the installation anyway.

Mr O also says that if he had had the chance to shop around in the summer months, he could have got a better total package for the boiler installation and power flush. However, the boiler didn't break down and need replacement until January 2014, and Homeserve didn't affect that. Therefore I don't think that Homeserve needs to make any payment for the extra cost Mr O says he had to pay for the new boiler because it broke down in the winter.

I can see that the mistake made by Homeserve caused some inconvenience and worry. And I can see that additional inconvenience and frustration was caused to Mr O by mistakes made in Homeserve's correspondence to him and by it telling him he could reinstate the policy and then refusing to do so. While Mr O says that Homeserve lied in correspondence and 'faked' a letter that he never received, I can't see that this is proven.

Given all the circumstances, I think that the sum of £150 is appropriate to reflect the inconvenience of having the cover incorrectly cancelled.

my final decision

I uphold this complaint to the extent that I require Homeserve Membership Limited to pay Mr O:

- the sum of £150 compensation for incorrectly cancelling his policy and its handling of his complaint; and
- the sum of £200 contribution to the new boiler under the policy, less the value of premiums that would have been paid by Mr O if the policy hadn't been cancelled in error.(If the premiums amount to more than £200 then no payment should be made by either party.) .

Under the rules of the Financial Ombudsman Service, I am required to ask Mr O to accept or reject my decision before 1 July 2015.

Harriet McCarthy
ombudsman