

complaint

Mr M complains that UIA (Insurance) Limited gave poor service under the home emergency section of his home insurance policy.

background

Mr M had a boiler installed in about May 2010. It had a burner/ heat exchanger assembly with an attached fan. The fan was bolted or screwed into a screw thread in the heat exchanger with a gasket to form a gas-tight seal.

Since about 2011, Mr M had annual home insurance with home emergency cover. It covered breakdown repairs of his boiler but it didn't cover annual servicing.

The events in question took place in 2018. The policy terms for that year mention an insurer syndicate as well as UIA. But UIA is the insurer responsible for dealing with claims, according to its policy administrator. Where I refer to UIA or the insurer I include engineers, claims-handlers and any others for whose actions I hold it responsible.

For home emergencies the policy limit was two hours labour plus £100.00 parts.

In May 2018 Mr M contacted the insurer because his boiler wasn't working properly. The insurer sent an engineer, Mr S. He replaced the seal or gasket and intended to replace the ignition electrodes.

But he said that someone had previously cross-threaded the bolt in its hole - so Mr M was going to need a new heat exchanger.

Neither Mr M nor the insurer realised that the heat exchanger was still under the manufacturer's warranty. The insurer said that the boiler was beyond economic repair (BER).

Mr M complained that – as no-one else had dismantled that part of the boiler - the insurer was responsible for the cross-threaded bolt.

On about 10 May 2018, Mr M got an engineer Mr C to install a new boiler. It cost £1,185.70 plus a labour charge, a total of £1,585.00.

our investigator's opinion

Our investigator recommended that the complaint should be upheld. He thought that the policy excluded previous faulty work but the insurer hadn't demonstrated that the exclusion applied to this claim.

The investigator recommended that UIA should pay as a claim £1,585.00 less such excesses and caps as the insurer would normally apply.

my provisional decision

After considering all the evidence, I issued a provisional decision on this complaint to Mr M and to British Gas on 6 March 2019. I summarise my findings:

On balance I found that Mr S fell below a reasonable standard of skill and care, damaged the screw-thread and sought to blame it on previous engineers.

Overall I was minded to find it fair and reasonable to order UIA to pay Mr M £750.00 towards the cost of his new boiler.

As he's been out of pocket since 10 May 2018, I was minded to order UIA to add interest at our usual rate.

Subject to any further information from Mr M or from British Gas, my provisional decision was that I was minded to uphold this complaint. I intended to direct British Gas Insurance Limited to pay Mr M:

1. £750.00 towards the cost of his new boiler; and
2. simple interest on that amount at a yearly rate of 8% from 10 May 2018 to the date of payment. If UIA considers that it's required by HM Revenue & Customs to withhold income tax from that interest, it must tell Mr M how much it's taken off. It should also give him a tax deduction certificate if he asks for one, so he can reclaim the tax from HM Revenue & Customs if appropriate.

Mr M accepts the provisional decision.

British Gas hasn't responded to the provisional 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.

I accept Mr M's statement that he can remember who did what work on his boiler. Mr R did annual services, the last of which was on 25 July 2017.

And in about 2015 UIA fixed a loose wire connection in the junction box. The insurer was going to come back to replace a faulty expansion vessel. But that didn't happen. So Mr M got Mr C to replace it.

I accept Mr M's evidence that none of this work involved undoing the screw on the heat exchanger.

I also accept Mr M's statement that a carbon monoxide alarm installed about 8 feet from the boiler had never activated.

When Mr M called for help in May 2018, UIA authorised its engineer to replace the seal and electrodes. So I don't think it initially thought the boiler was BER.

But later during the visit, the engineer told Mr M that someone had cross-threaded the bolt. So it wasn't holding a seal and the boiler needed a new heat exchanger.

In the meantime the seal would leak, so the engineer turned off the boiler and issued a warning notice – leaving Mr M without a working boiler for hot water and heating.

The notice said the cross-threaded bolt was the result of earlier work. I see that Mr M signed the notice. But I don't think that resolves the question of who had cross-threaded the bolt.

Mr S says the gasket had been damaged on the side where the bolt was loose and heat had been escaping.

In June 2018 Mr M arranged a visit from another engineer Mr O. From his experience, I accept him as qualified to give opinion evidence as an expert. He expressed the opinion that it was the ignition leads that had failed causing the boiler breakdown. He said the heat exchanger gasket had been damaged - but not by heat.

In June 2018 the manufacturer said that if the bolt hadn't been correctly secured it wouldn't apply sufficient pressure to the gasket to create a full seal. Over time that could lead to leakage from the seal and damage the gasket and the electrodes.

Recently the manufacturer wrote to Mr M as follows:

"The cause of any premature gasket failure is always due to lack of servicing or failure to follow the guidance provided in the Installation and Servicing manual. It will fail is due to excessive temperatures around the burner area which is usually caused by an obstructed heat exchanger flue-way or because the gasket has been disturbed, maybe to inspect electrodes, and not replaced. The boiler should be serviced annually at which point a fan depression check should be carried out to determine the level of obstruction within the heat exchanger due to the natural deposits from the combustion process; if required, the heat exchanger must be cleaned at this point."

The insurer has recently provided a report from another expert Mr H. He expressed the opinion that the seal/gasket had perished and heat had damaged the electrode leads. He said as follows:

"There is also no proof to why the bolt was cross threaded, this could of happened when the boiler was made, when it had been serviced or when it has attempted to be repaired."

I don't think that the insurer was at fault for not asking Mr M whether the heat exchanger was still under warranty. And I think it would've been open to the manufacturer to say that its warranty didn't cover damage by cross-threading after manufacture.

But there is a conflict of expert opinion evidence as to what's likely to have gone wrong. And I prefer the evidence of Mr M, Mr R and Mr C to the evidence of Mr S.

So on balance I find that Mr S fell below a reasonable standard of skill and care, damaged the screw-thread and sought to blame it on previous engineers.

In trying to put Mr M back in the position he should've been in, I don't find it fair and reasonable to order the insurer to pay all the costs of his new boiler. And in fairness, Mr M never asked for that. His complaint form asked us to consider the compensation cost of a new heat exchanger and half the repair costs to offset the £1,585.00.

The insurer has estimated the total cost of supplying a new heat exchanger as around £510.00 plus VAT (a total of about £612.00) plus up to three hours for installation. It estimated a total of around £1,100.00.

Mr M's boiler was about 8 years old when UIA's engineer damaged its heat exchanger. If it hadn't been for that damage, Mr M could've expected the boiler to go on for several years to come.

So overall I'm minded to find it fair and reasonable to order UIA to pay Mr M £750.00 towards the cost of his new boiler. As he's been out of pocket since 10 May 2018, I'm minded to order UIA to add interest at our usual rate.

my final decision

For the reasons I've explained, my final decision is that I uphold this complaint. I direct UIA (Insurance) Limited to pay Mr M:

1. £750.00 towards the cost of his new boiler; and
2. Simple interest on that amount at a yearly rate of 8% from 10 May 2018 to the date of payment. If UIA considers that it's required by HM Revenue & Customs to withhold income tax from that interest, it must tell Mr M how much it's taken off. It should also give him a tax deduction certificate if he asks for one, so he can reclaim the tax from HM Revenue & Customs if appropriate.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 28 April 2019.

Christopher Gilbert
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