

## **complaint**

Mr T is unhappy with the handling of his claim under a home emergency insurance policy provided by Amtrust International Underwriters Ltd.

## **background**

I issued a provisional decision on this matter in November 2015, part of which is copied below:

*“Mr T made a claim under his policy for repairs to his boiler. Amtrust’s engineer diagnosed that a number of parts needed to be replaced. The engineer returned with the parts in order to do the repairs but as Mr T had been told by Amtrust that the repairs would be carried out the following day, the engineer went to his van to phone the office to see if he was meant to do the work. The engineer drove away without telling Mr T what was happening. Shortly afterwards, Amtrust phoned Mr T and told him that his boiler would be uneconomical to repair, as the policy cover was limited to repairs up to £1,000 and it said it would cost £1,074 to repair Mr T’s boiler.*

*As Amtrust wouldn’t do the repairs, I understand that Mr T had the boiler replaced, at a cost of £1,700.*

*One of our adjudicators initially rejected the complaint but changed his mind. He said that Amtrust should pay Mr T the policy benefit limit of £1,000 towards the costs of repair or replacement of the boiler.*

*Amtrust says:*

- *The repair costs were over the policy limit and is therefore a valid reason to reject the claim.*
- *The adjudicator wrongly suggests that the policy would lead a consumer to expect a cash settlement to the value of the repairs. This would create a liability to offer the cost of repairs in lieu. And if a consumer continues to renew with them, as any boiler will inevitably need to be replaced at some point, they would expect £1,000 when repairs can’t be done.*
- *If we expect it to pay £1,000 policy limit in every case where the boiler is deemed beyond economic repair then it will affect the insured risk considerably and affect the premiums of thousands of consumers.*
- *As well as the cost of the repairs being over the policy limit, there is a hole in the combustion chamber, which cannot easily be replaced. The repairs would therefore not mean the boiler could be used because it would be unsafe given this hole.*
- *The policy doesn’t cover a part repair and so it would not have paid for the repairs, when that would not have fully repaired the boiler given that it would still need a combustion chamber replaced.*

*Amtrust did, however, pay £50 for the trouble caused by the engineer returning and saying he would repair the boiler, in error.*

## **my findings**

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

*The repair costs were estimated to be £1,074, not including the combustion chamber. I don't think that it is reasonable to deny all cover under the policy because the estimated repair costs exceed the policy limit. In this case, the estimated repair costs that Mr T was told about, were just over the limit. There must be a reasonable margin of error with the estimated costs – which included six hours of labour and £450 for a heat exchanger. I don't think that it is reasonable to deem the boiler beyond economic to repair based on the estimate being £74 over the policy limit. It would instead have been reasonable for Amtrust to repair it and, if the parts did cost the amount estimated and it did take six hours to complete, than Mr T could have paid the £74.*

*There is no suggestion that it would be reasonable for any consumer whose boiler becomes beyond economic to repair, or comes to the end of its use would expect to receive the £1,000 policy limit. My conclusion instead is that it isn't reasonable to deem a boiler beyond economic to repair simply because the estimated repair costs exceed the policy limit. The policy doesn't provide that this is the definition of 'beyond economic to repair' and it isn't the common understanding of that term either.*

*Having said that, however Amtrust says that the combustion chamber couldn't be repaired. It says the engineer noticed the hole in the combustion chamber and photographed it during his first visit. There does seem to be a bit of confusion, as the engineer clearly thought the boiler was repairable, otherwise he wouldn't have returned to Mr T's house.*

*However, nothing has been produced to me to say that the diagnosis about the combustion chamber was incorrect. The fact Mr T had the boiler replaced would seem to support that it was [not] repairable. Even if it was repairable/replaceable the potential costs of that would, it seems to me, increase the costs significantly and make the boiler less economical to repair.*

*On this basis therefore, I don't think that Amtrust would have been required to repair the boiler under the policy, or make any contribution to the replacement of the boiler.*

*However, I do think that some further compensation is warranted (in addition to the £50 already paid to Mr T). This is because the claim wasn't handled well. Mr T was led to expect that his boiler would be repaired; he waited for those repairs when he could have sorted out the replacement of the boiler immediately, if he'd known the full situation; the engineer attended and then drove away; and Amtrust didn't explain the position properly to him.*

### **my provisional decision**

*I intend to uphold this complaint in part and require Amtrust to pay £250 compensation to Mr T in addition to the £50 already offered, for the inconvenience caused by its handling of this matter.”*

### **developments**

I invited both parties to respond to my provisional decision with any further evidence they wanted me to consider.

Mr T has responded and said he has nothing further to add.

Amtrust has also responded. It confirms it accepts my findings in relation to the policy cover. However, it thinks that the compensation I proposed is excessive when compared to previous cases. Mr T was told within three business days that his boiler was beyond repair. It tries to maintain consistency in the compensation it offers which is difficult when it's had cases where compensation for similar issues has been much lower.

### **my findings**

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

Each case is determined on its own particular facts. In this case Mr T reported the problems with his boiler on 31 December 2014, Amtrust took two days to attend and then three days to tell him it was beyond economic repair. Amtrust has said it can't have been expected to do anything about the claim over the weekend and bank holiday, but I don't agree. Policyholders would have a reasonable expectation, in my view, for contact to be made out of normal working hours in respect of a policy such as this. In addition, Amtrust didn't explain its position properly in relation to the combustion chamber and there was the issue with the engineer attending and then driving off. Overall, I remain satisfied that £300 compensation is appropriate.

### **my final decision**

I uphold this complaint in part and require Amtrust International Underwriters Ltd to pay £250 compensation to Mr T in addition to the £50 already offered, for the inconvenience caused by its handling of this matter.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr T to accept or reject my decision before 22 February 2016.

Harriet McCarthy  
**ombudsman**