

complaint

Mr G has complained that British Gas Insurance Limited (BG) isn't agreeing to reimburse him what he had to pay to other contractors to resolve a heating problem that BG couldn't resolve under his home emergency policy.

I've considered the relevant information about Mr G's complaint. I've previously issued a provisional decision in relation to this complaint, and have since received further comments from Mr G and from BG. I've taken these comments into consideration and am now issuing this, my final decision.

background

For some time Mr G had experienced problems with his central heating system. He has a tall house, with his boiler in the basement and five floors above this. He wasn't getting heating in the upper floors and wasn't getting enough hot water. He's had a home insurance policy with BG since 2012. This initially only covered him for boiler repairs, but he upgraded it in March 2016 to cover his central heating system as well.

Mr G has made two complaints to BG.

The 2016 complaint

Mr G called BG out in April 2016 to deal with a leak and some faulty valves. BG repaired the leak and replaced a valve. But shortly afterwards Mr G's boiler started kettling. BG diagnosed that there was sludge in Mr G's central heating system and said the system needed a powerflush and a new heat exchanger. BG's engineer didn't turn up on the scheduled date, and Mr G was then told that a powerflush wasn't possible because of the number of zones and valves in Mr G's system. Mr G complained about the inconvenience this had caused.

Discussions then followed about arranging a convenient date for an attempt to flush Mr G's system by other means. Inhibitor was added to his system in July 2016, and a new heat exchanger was fitted a few weeks later, in August 2016.

This initially appeared to resolve Mr G's heating problem, and in September 2016 Mr G confirmed that he was happy for BG to close its file. He said he'd contact BG if he needed anything more from it. On 13 September 2016 BG issued a final response letter in relation to Mr G's complaint. It offered him £150 for the 4 month delay in getting to the root of the problem and the conflicting information he'd received about whether a powerflush was possible for his system.

The 2017 complaint

Unfortunately some four months later further problems arose. Mr G wasn't able to get heating on upper floors. BG engineers visited on 18, 23 and 30 January 2017 and various solutions were tried without success. So having replaced a boiler pump in April 2016, fitted a new heat exchanger in August 2016, and unsuccessfully attempted a chemical flush, BG didn't know what more it could do to solve the problem that Mr G's system continued to have.

So Mr G employed another contractor who did a survey of Mr G's system and planned a sequence of checks to try to identify where the problem lay. Fortunately, they identified quite early on that the problem lay with two inadequately sized pumps and replaced these with bigger ones. Mr G said these cost £1,200 to replace. It also identified some faulty radiators

and valves. Mr G had to pay around £10,700 to get his system fully operational, and has further costs still to come to replace two radiators and a valve.

On 23 May 2017 Mr G received a renewal notice for his home emergency policy. This showed that his premium for the following year was being increased. Mr G complained to BG about this. BG has since agreed that his premium for the policy year 2017/2018 will be kept at the same level as 2016/2017, and has also refunded him £70.41 for a premium increase in 2016.

Mr G also complained to BG about the fact that he'd had to pay an independent contractor £1,200 to install new pumps. He wanted to know why BG hadn't identified that this was the cause of the problems he had. He considers that the work his independent contractors had to do to identify and fix the problem was work that should be covered by his BG policy.

BG says that Mr G was told in 2013 and again in 2016 that he needed to have his system powerflushed, and that faults caused by sludge and scale aren't covered by his policy. It also says that the work done by Mr G's independent contractor was upgrade work, and so not covered by his policy. Specifically, it says that the pumps that Mr G had replaced were water boosting pumps, and that his policy says it doesn't cover "any parts designed to boost your mains water pressure", so it can't cover the cost of those.

Mr G's complaint to this service is in respect of BG's failure to reimburse to him the costs he incurred to his independent contractors to fix what BG wasn't able to. He says these costs should be covered by his BG policy. He wants BG to reimburse him a fair and equitable proportion of the £10,700 he had to pay his independent contractors.

Our adjudicator thought that BG was at fault in not identifying what might be the cause of Mr G's system problem and recommended that it pay Mr G £750 in compensation and also pay the cost of replacing radiators and valves and adding inhibitor.

Neither BG nor Mr G agreed with the adjudicator's view so the matter's been passed to me to make a decision.

my findings

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of Mr G's complaint to this service. I'm proposing to uphold his complaint in part, and I'll explain my reasons.

When BG said it didn't know what more it could do to resolve Mr G's heating problem, I don't think it was unreasonable for Mr G to call in other contractors to attempt to get his central heating system functioning properly.

Mr G believes that much of the work that he paid independent contractors to do was work that BG should've done under his BG policy. So I've looked at the terms of Mr G's policy with BG for the policy year 28 June 2016 to 27 June 2017 to see what it covers and what it doesn't. It covers:

"All repairs to the heat and hot water system on your property including

- Expansion tank, radiators, bypass and radiator valves*
- Warm air vents*
- Cylinders and any immersion heater and its wired in times and switch: and*
- The pipes that connect the central heating system."*

So I'm satisfied that radiators and radiator valves are covered by the policy.

It says it doesn't cover (among other things):

- *Damage caused by limescale, sludge, or other debris – if we've told you before that you need to carry out repairs, improvements or a British Gas powerflush, or a similar process, but you haven't done so*
- *Supply of curved or designer radiators*
- *Replacing or topping up your system inhibitor unless we've removed it.*

It says, under "General exclusions"

Pre-existing faults

Our products don't include cover for any faults or design faults that:

- *Were already there when your boiler, appliance or system was installed, or were caused by anybody other than us when any change or additions were made to your boiler, appliance or system"*

Making any improvements

- *"Your product only includes repairing or replacing your boiler, appliance or system when it stops working properly – it doesn't include any improvements or upgrades, for example: replacing working radiators, swapping standard radiator valves for thermostatic ones and replacing electrical cables and fuseboards that still work. Where we've told you that an improvement is necessary, we may not continue to make repairs on that part of your boiler, appliance or system unless the work has been carried out."*

Whether or not Mr G was told by BG that his system needed a powerflush, BG wasn't able to do one. This wasn't Mr G's fault. He hadn't chosen to ignore BG's advice. I don't think it's reasonable in these circumstances for BG to rely on the absence of a powerflush to effectively withdraw cover under Mr G's policy. BG had inspected Mr G's system at the start of his policy and should've satisfied itself that it could be properly maintained or else to have advised him that he might end up paying for a policy that couldn't adequately cover him if the layout of the system prevented it from being powerflushed.

But I do consider that the inadequacy of the pumps that Mr G's third party contractors replaced was likely to be a design fault, and so is excluded from the policy. Even if that weren't the case, I think that the replacement of working pumps with bigger pumps constitutes an upgrade and so is also excluded from the policy.

Although I've concluded that much of the cost incurred to independent contractors was for work that isn't covered by Mr G's policy, I do think that some of the cost that Mr G had to incur wouldn't have been necessary if BG had identified where the problem areas were, even if they weren't able to deal with them under his policy. His policy says "*If we find a problem or fault that needs to be fixed, we'll tell you about it*". It could then have gone on to explain that the work needed was outside the scope of Mr G's policy.

Before Mr G's contractors were able to identify where the problems with Mr G's system lay, they had to undertake investigatory work and do various checks.

- They undertook an initial inspection visit. This cost £375.

- They inspected and tested manual balancing valves. They removed limescale and confirmed the valves were working. This cost £787.50.

I think it's fair to say that some of these would've duplicated checks that BG had done. So I think it would be fair for Mr G to be reimbursed 50% of these costs.

Mr G's independent contractors also undertook the following:

- They drained the system and removed two existing pumps and replaced them with different ones. This cost £1,337 for parts and £1,912.50 for labour – total £3,249.50.

As I've already mentioned, I don't consider that the replacement of existing, but inadequate, pumps was work that was covered by Mr G's policy. So I don't think that it would be reasonable for me to require BG to reimburse Mr G for the replacement of these pumps.

- They labelled all valves and control units. This cost £375.

I don't think that this would be covered under the terms of Mr G's policy.

- They added inhibitor. This, and possibly other supplies, cost £335.

Mr G's independent contractors also identified a faulty radiator and a faulty valve operating the first floor heating circuit. Radiators and valves are specifically covered by Mr G's policy. If BG had identified these faults as one of the reasons why Mr G's system wasn't operating properly it should've replaced them under his policy and irrespective of whether or not a powerflush had been recommended for reasons I've given above. This would've included adding inhibitor.

However Mr G's policy specifically excludes the supply of curved or designer radiators. In my provisional decision I said that I thought that the radiators Mr G was proposing to install were designer radiators and therefore weren't covered by the policy. In response, Mr G said that they weren't designer radiators. I've looked at the website for the brand chosen by Mr G and its headline is "designer radiators". I'm therefore not persuaded by Mr G that his radiators weren't "designer", so the supply of these isn't covered by his policy. BG however is required to fit them if they're provided by the customer. I think it would be fair and reasonable to require BG to reimburse to Mr G what he had to pay to have the radiators he supplied fitted, plus the cost of any inhibitor. He says that these radiators cost £787.50 to install, and that this would've involved time spent in draining down and refilling the system. BG hasn't challenged this amount, and as BG hasn't had to supply two replacement standard radiators, I think it would be a fair outcome for BG to reimburse to Mr G the sum of £787.50. This is to include the cost of inhibitor.

Mr G also had to have a first floor valve replaced. I think this is something that BG would've supplied and fitted under his policy if it had noticed that it needed to be replaced because it was faulty. Mr G says the valve cost £100 and that the fitting, including inhibitor, cost £530. I think the cost of fitting is high, but BG hasn't challenged it and had the opportunity to identify that the valve was faulty and to have replaced it itself, and I'm satisfied that draining down and refilling and adding inhibitor would've increased the cost.

Mr G's contractors also charged him £1,620 for management and oversight of the works. I'm not satisfied that this sum was necessarily incurred in order to find parts in Mr G's system that were faulty as distinct from identifying and curing design faults or making improvements. I don't think it would be fair or reasonable for me to require BG to reimburse this sum.

In summary, I think that BG should reimburse to Mr G those costs that he paid to his own contractors to do work that BG should've done under the terms of his policy if it had been able to identify what the problem areas were with Mr G's heating system. If it had identified the problem areas itself and rectified them, Mr G wouldn't have had to employ others to do so, or at least they wouldn't have had to do so much. And I don't think the absence of a powerflush relieves BG of its obligations under Mr G's policy because it wasn't his fault that a powerflush couldn't be done.

So I think it would be reasonable for BG to pay Mr G the following:

- 50% of the cost of the initial inspection visit - £187.50
- 50% of the cost of inspecting and testing valves - £393.75
- Fitting of 2 x radiators and inhibitor £787.50
- Supply and fitting of first floor valve and inhibitor £630.00
- £1,998.75

I'm not going to include inhibitor as a separate item as I did in my provisional decision as I feel the cost of this is adequately covered in the other items above.

my final decision

My final decision is that British Gas Insurance Limited should pay Mr G £1,998.75.

British Gas Insurance Limited should pay interest on this total sum at the simple rate of 8% a year from the date Mr G paid his last contractors invoice to the date payment is made to him.

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 G how much it's taken off. It should also give him a certificate showing this 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 G to accept or reject my decision before 4 August 2018.

Nigel Bremner
ombudsman