

complaint

Mr B complains that U K Insurance Limited (“UKI”) won’t pay his landlord insurance claim for a damaged boiler.

background

Mr B has landlord insurance with UKI which covers a number of properties. In May 2017 he made a claim to UKI for damage to the boiler at one of the properties. UKI instructed an engineer to visit the property and inspect the boiler. The engineer reported that the boiler hadn’t broken down and was still functioning despite making a ‘kettling’ noise. He said this was due to a build-up of scale in the heat exchanger which was causing the boiler to overheat. Replacement of the boiler was recommended.

UKI told Mr B that this type of damage, having been caused gradually, was excluded from cover under the policy so it wouldn’t be paying his claim. Mr B complained to UKI about its decision. He said that it should be paying the claim under the breakdown cover on his policy. Mr B sent UKI a report from his own engineer which reported further damage to the boiler in the form of a gas leak. UKI said the new report didn’t alter the original position, namely that there’d been a gradual build-up of scale in the heat exchanger and no ‘sudden stoppage’ (as required by the policy). UKI maintained that the claim wasn’t covered.

Unhappy with UKI’s findings, Mr B complained to this service. Our investigator looked into the complaint for Mr B but didn’t recommend that it was upheld. She thought that UKI wasn’t liable to replace the boiler and hadn’t unfairly declined his claim.

Mr B asked for his complaint to be referred for an ombudsman’s 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. Although I appreciate it will come as a disappointment to Mr B, I don’t think his complaint should be upheld. I’ll explain why.

For an insurer to pay a claim the policyholder has to show that the damage he’s claiming for is an insured event covered by the policy. If he is able to do so then the insurer must pay the claim *unless* it’s able to rely on one of the policy exclusions to defeat the claim.

The policy terms and conditions set out what the insurer has provided cover for. Mr B’s policy extends cover for buildings and contents damage to include cover for ‘*Equipment Breakdown*’. *Breakdown* is defined as:

“a. the actual breaking failure distortion or burning out of any part of the Covered Equipment whilst in ordinary use...causing its sudden stoppage and necessitating repair or replacement before it can resume work...”

Covered Equipment is defined as:

*“Equipment at the Premises owned by You for which You are responsible...or used for the generation, transmission or utilisation of energy including but not limited to:
a. heating systems and hot water heaters...”*

So I think it's clear that the boiler meets the policy definition of '*covered equipment*'. But in order for its breakdown to be covered it must have stopped suddenly. And it didn't. According to UKI's engineer's report the boiler was still working despite a build-up of scale in the heat exchanger which was causing the boiler to overheat.

I don't think it would be reasonable of me to ignore this report in reaching my decision. That's not to say that I've ignored the evidence from Mr B's engineer that the boiler was leaking gas and the replacement parts were obsolete. But the damage Mr B originally reported to UKI – for which it sent out its engineer – preceded that reported by Mr B's engineer. And UKI's engineer recommended the boiler be replaced as a result of his inspection.

So the damage identified by UKI's engineer isn't an insured event covered by the '*equipment breakdown*' section of Mr B's policy. And even if it were, UKI could successfully apply the specific policy exclusion for '*equipment breakdown*' namely that damage caused or resulting from wear and tear, or gradual cause (such as a build-up of scale), to defeat the claim.

Mr B said that he only replaced the boiler as a result of the gas leak – not because of the build-up of scale. But before that Mr B had already been advised to replace the boiler because of scale and overheating – damage which wasn't sudden and, due to its gradual nature, excluded under the policy. Any subsequent further damage that may have been identified doesn't alter the fact that Mr B had already been advised to replace the boiler.

So I can't, in the circumstances, say that UKI has unfairly declined Mr B's claim.

my final decision

My final decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 9 February 2018.

Claire Woollerson
ombudsman