

complaint

Mr S complains that Royal & Sun Alliance Insurance Plc (“RSA”) acted unfairly and unreasonably when dealing with his claim under a home maintenance policy. He wants matters put right.

background

Mr S had a home maintenance policy with RSA, which covered maintenance or repairs needed to the heating system, plumbing and electrics in the property, including the boiler. Mr S’s boiler was installed in 2006 and needed to be replaced in 2018. Mr S said the insurance policy said that if the boiler needed to be replaced within 12 years of installation, RSA would install it for free (with a cap of £2,500 towards the cost). These were the terms and conditions when the policy was first taken out in 2012. Mr S replaced his boiler (at a cost of about £3,600) and asked RSA to contribute towards the cost.

RSA refused. It said that its engineers carried out the annual service in April 2018 and reported a list of defects and failed parts, caused by the age of the boiler. RSA also said that there was an issue with the flue. The boiler was marked as “at risk” and the manufacturer was asked by RSA to arrange a repair. The manufacturer couldn’t help, so RSA sent an engineer, and found that due to the state of the boiler, the issue with the flue and the need for scaffolding, the total costs meant that the boiler was beyond economical repair. RSA said Mr S didn’t accept this decision, and was relying on the literature provided at the start of the relationship with the previous insurer. RSA explained its terms and conditions said that if the boiler was over ten years old (such as Mr S’), it wasn’t eligible for replacement. It said the current terms and conditions were notified to Mr S when he renewed in December 2017.

Mr S complained to us. He felt that if RSA’s engineers had done a better job at the annual service, the fault with the original boiler would’ve been found earlier and been repaired. Mr S also said that if insurers were allowed to change the terms and conditions over the years, he thought it was sharp practice.

The adjudicator’s view was that the terms and conditions of the policy in place when the boiler needed replacement excluded Mr S’ boiler from replacement cover as it was more than ten years old; the original terms and conditions no longer applied.

But the adjudicator didn’t think RSA had done enough to draw Mr S’ attention to the significant change to his insurance policy. While the renewal letter told consumers to check the terms and conditions carefully, and the policy schedule said Mr S wasn’t entitled to boiler replacement cover, the adjudicator said more should’ve been done to make the change clear to Mr S. He accepted that Mr S would’ve not renewed if he’d known of the change, but noted the other benefits of the policy which were available to Mr S. The adjudicator said it was fair and reasonable for RSA not to pay for the replacement of the boiler, but it should pay £100 compensation for the trouble and upset caused by not bringing the changes sufficiently to Mr S’ attention.

Mr S disagreed. He wanted £2,500 compensation as that’s what he felt he was entitled to under the insurance policy. RSA accepted the adjudicator’s view. The adjudicator said that the terms and conditions of the policy changed when RSA took over and this was permitted.

my findings

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

Mr S says that his contract was with the engineers, not the insurer. That isn't entirely accurate as a matter of law. As is made clear within the policy, the contract is between Mr S and the insurer, regardless of the branding of the policy. The identity of the insurer changed over time (which isn't unusual), and RSA took over in 2017. While Mr S is relying on the initial terms and conditions of a policy with a different insurer from 2012, insurers are able to update and change the terms and conditions of a policy when it is renewed, though they are expected to make the changes clear to consumers. In this case, RSA was entitled to change the terms and conditions, and apply those terms and conditions to claims under the new policy.

The relevant rules and industry guidelines say that RSA has a responsibility to handle claims promptly and fairly. And it shouldn't reject a claim unreasonably. Under the terms and conditions of the policy in place when the boiler needed replacement, Mr S wasn't entitled to a free replacement (or a contribution to costs). So I can't say RSA has rejected the claim unfairly or unreasonably and doesn't need to pay for the replacement of the boiler. I also note that the annual service wasn't part of the insurance contract.

But as I said earlier, RSA was required to bring the change to Mr S' attention so he could decide if the policy still met his needs. In December 2017, RSA says it sent a renewal letter to Mr S, attaching the new terms and conditions and telling him to read them carefully. Mr S hasn't denied receiving this letter and I think it's more likely than not that it was sent (RSA not being responsible for delivery of post). The policy schedule also told Mr S the age of his boiler and that it wasn't eligible for replacement cover.

I think RSA should've done more to bring the significant change to Mr S' attention. The letter could've been more specific about the change, though I accept it's fair and reasonable to expect consumers to read the terms and conditions. I note that Mr S and his wife are vulnerable consumers from the evidence available to me and clearly valued the boiler replacement cover highly as they cancelled the policy after Mr S was told that his claim for the costs of the replacement wouldn't be paid by RSA.

But the policy offered a number of other benefits; it didn't just offer boiler replacement cover. And RSA did tell Mr S that there had been changes and to check the policy was still suitable. In the circumstances of this case, I think only compensation for trouble and upset caused by the failure to be more specific about the changes to the policy is fair and reasonable. Money never truly compensates for trouble and upset. I can only award compensation for the failure by RSA identified by this service, not for the whole situation. I think £100 is fair and reasonable.

my final decision

My final decision is that I uphold the complaint and Royal & Sun Alliance Insurance Plc should pay Mr S £100 compensation for his trouble and upset. Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 23 October 2019.

Claire Sharp
ombudsman