

complaint

Ms B complains about the level of service she received from British Gas Insurance Limited after she claimed under a home emergency policy.

background

In 2013 and 2014 Ms B had problems with the boiler in a property she owns, which she rents out to tenants. She claimed under her home emergency policy with British Gas.

British Gas did some repairs to the boiler. It also recommended a power flush to clear sludge from the pipes, and that Ms B replace the boiler with a new one. Ms B didn't agree to the power flush initially but in late 2013 she agreed to have it done. She didn't replace the boiler.

The problems with the boiler continued. In April 2014 Ms B said her tenants moved out due to damp in the property. She got new tenants in October 2014 but they moved out in early 2015, again due to the damp. Ms B says British Gas also failed to identify a boiler leak. She complained to British Gas directly and via this service. As well as the customer service she'd received she said British Gas' power flush had caused damage to the heating system pipes; in turn the leaks had caused the damp, and meant she'd lost her tenants.

In response to Ms B's complaint British Gas offered her: a free replacement of her boiler; a year's free home emergency cover (or the cash equivalent); a refund of the cost of the power flush; and £100 for its delay in responding to her complaint.

Ms B didn't accept British Gas' offer. She said it should replace her boiler and repair the pipework; pay her lost rental income of £4,200 (six months at £700 per month); and a refund of the power flush costs. British Gas didn't agree so the complaint came to us.

British Gas replaced the boiler in November 2015, refunded the power flush costs and paid Ms B £100. In addition to this it agreed to investigate the cause of the damage at Ms B's property. Our first adjudicator thought this was fair. Ms B said she'd accept but only on the understanding that she'd pursue her complaint if British Gas didn't resolve her complaint following the investigation.

British Gas appointed a loss adjuster, and Ms B instructed her own surveyor to report on the property. In January 2016 Ms B also paid for the pipework to be repaired. Following that, she claimed the following amounts from British Gas: £9,800 for lost rental income and just over £2,100 for the council tax she'd had to pay when the property was empty - for the periods between May and September 2014, and between February and October 2015; £3,500 to repair the damp and mould issues; £1,500 to put right the damage and redecorate; and the cash equivalent of a year's worth of home emergency cover.

British Gas offered to pay Ms B the equivalent of 11 months' monthly home emergency premiums (which partly reflected some issues with her direct debit payment).

Unfortunately Ms B then reported in April 2016 that her new boiler had a problem. After inspecting it British Gas didn't think this was its responsibility – it said it was a design flaw with the pipework.

In October 2016 British Gas said it would pay Ms B £1,250 plus VAT for property damage. It said there were contributory factors to the damp, including lack of ventilation and an issue with the damp proofing at the property. It didn't agree to pay any loss of rent. So the case was referred back to us.

Our second adjudicator thought it was right that British Gas paid for a new boiler and a refund of the power flush, based on its own service manager's comments about the work it had carried out. But our adjudicator said the surveyor's evidence suggested the re-piping would have been needed at some point, whether or not the power flush was carried out. The re-piping wasn't covered under the policy. And he wasn't persuaded the damp and mould were entirely caused by the power flush, based on the evidence from the loss adjuster and Ms B's surveyor. So he suggested British Gas contribute 75% of the overall repair cost, subject to quotes for the repair cost.

Our adjudicator didn't think Ms B had provided enough evidence for the loss of rent and council tax. He thought British Gas should pay Ms B £500 in total for the trouble and upset she'd been caused by British Gas' poor service, and said British Gas could deduct the home emergency premiums and compensation payment it had already paid her. Finally our adjudicator didn't think the problem with the new boiler was British Gas' fault, based on its engineer's evidence.

British Gas agreed to our adjudicator's recommendations. So it would pay 75% of the redecoration quote. (The offer it made was 75% of the lower of the two quotes, which was £1,185.35 plus VAT). It said it would wait for quotes for the repair costs.

British Gas also gave us evidence of its refund of the power flush cost and £100 compensation (£819 in total), which it had paid her in November 2015. It had sent her a cheque for £50 compensation on 21 March 2016. And on 3 May 2016 it had also sent Ms B a further cheque for £289.44, which was the equivalent of one year's free home emergency cover. Based on the compensation payments and the refunded home emergency cover premiums (£439.44 in total), British Gas said it would pay Ms B a further £60.56 to make £500 in total.

Ms B didn't accept the adjudicator's recommendations. She said she'd given us all the evidence she could for lost rent and her council tax payments. She said the house was empty when British Gas visited it, and she has emails showing arrangements for access. British Gas would've seen the house was empty. She couldn't get tenants because the heating didn't work, and because of the extensive damp and water damage. She's given photographs of this and says the water damage could only have been caused by the leaking pipes because of their location.

For the compensation Ms B pointed out that the £100 British Gas had paid was in connection with the boiler issues, which was a separate part of her complaint. The £50 was for inconvenience to her sister, for a missed appointment. She thought the overall compensation was too low.

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 think British Gas has made a reasonable offer to resolve the complaint. I'll explain why.

British Gas accepts it shouldn't have carried out the power flush because part of Ms B's property had steel pipes and it couldn't guarantee the work. It also said that a leak in the boiler hadn't been fixed, which damaged the boiler beyond repair. So it was right that it refunded the power flush costs to Ms B and replaced her boiler.

I've looked at the evidence from Ms B's surveyor and British Gas' loss adjustor. I'm not persuaded, on balance, that the power flush did cause the leak in Ms B's property. If that had happened I accept British Gas' evidence that it's likely the leak would have been noticed sooner (it was about 18 months before Ms B complained to British Gas about the leak and damp).

I accept the evidence suggests the power flush might have accelerated the corrosion and subsequent leaking of the pipework. Ms B would have had to pay for the re-pipe at some point anyway, so I don't require British Gas to contribute to the cost of re-piping. But I think its offer to pay 75% of the cost of the repair and redecoration cost is fair and reasonable, given it seems there are other factors which contributed to the damp at the property. This included issues with the damp course and ventilation. Ms B estimated the cost of repair to be £3,500 so this is a substantial offer. She will need to provide British Gas with written quotes for the repair costs. British Gas has agreed to pay the lower of the two redecoration quotes, and for the avoidance of doubt it must also pay the VAT element of both the repair and redecoration quotes. (This is in line with its earlier offer to contribute £1,250 plus VAT).

I've very carefully considered all the evidence Ms B has given us about the lost rental income for her property, including information from her tenants and letting agent. She had to pay the council tax while the property was empty. I've thought about whether British Gas should pay or to contribute to the lost rental income or the council tax costs. But, on balance, I don't think I can fairly require it to do this for a number of reasons.

First, it seems to me that part of the reason that the first tenant left the property (in April 2014) was the inefficient boiler (then around 13 to 14 years old). The tenant had complained they were having difficulties keeping the property warm. But British Gas had advised Ms B to replace the boiler a number of times, during visits in 2012 and 2013. So I think the failing boiler was, in part, a reason for the first tenant leaving. And as I've said I think it's likely there were other factors (other than the power flush) which meant the property was damp.

There was then a period of time when Ms B redecorated the property, so it was vacant. Her next tenant only stayed for a few months. But I've not seen any persuasive evidence that the only reason a new tenant couldn't be found was because of the damp at the property.

I understand her sister has since moved into the property, although I appreciate Ms B hasn't claimed lost rental since her sister moved in around November 2015.

Even if I had more evidence about the reasons the property couldn't be let, I don't think Ms B has taken reasonable steps to keep her losses to a minimum. She has claimed thousands of

pounds in rent, as a commercial landlord, and I think it would have been reasonable for her to carry out the work that was required to rent out the property – even if she thought it was ultimately British Gas' responsibility. She's said British Gas didn't suggest this to her but I don't think this, of itself, means she didn't need to take steps to repair the damage.

Like the adjudicator, I don't think the evidence suggests the issues with the new boiler were British Gas' responsibility. Its engineer has explained the issue with the pipes.

It's clear British Gas could have responded to Ms B's complaint more quickly and there were some delays before the new boiler was fitted. I think £500, in total, is fair and reasonable, in addition to the other costs it's paid or agreed to pay. I think it's reasonable for British Gas to deduct from the £500 the home emergency premiums it's already refunded (£289.44). I also think it can deduct £100 it paid for its delay in responding to her June 2015 complaint. I don't think it's fair for it to deduct the £50 it paid where it didn't keep one appointment to call at the property (where Ms B's sister had taken time off work). That was for one specific incident, rather than to reflect the overall distress and inconvenience she's been caused.

my final decision

I uphold this complaint in part, and require British Gas Insurance Limited to:

- Pay Ms B 75% of the reasonable costs of repairing her property (including VAT), subject to her providing it with quotes for the repair work; it should pay this within 28 days of her providing it with the quotes. If it pays later than this it should pay interest at the simple rate of 8% per year on the costs of repair from the date it received the quote to the date it makes payment; and
- Pay Ms B 75% of the lower of the two redecorating quotes, to include VAT; and
- Pay Ms B £500, in total, for distress and inconvenience. From this it can deduct only two amounts of £289.44 (the refund of the home emergency premiums) and £100 it has paid her for delay in dealing with her complaint.

British Gas Insurance Limited must pay the quote for redecoration costs and remaining compensation within 28 days of the date on which we tell it Ms B accepts my final decision. If it pays later than this it must also pay interest on the compensation from the date of my final decision until the date of payment at 8% per year simple*.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms B to accept or reject my decision before 22 June 2017.

Amanda Maycock
ombudsman

*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 Ms B how much it's taken off. It should also give Ms B a certificate showing this if she asks for one, so she can reclaim the tax from HM Revenue & Customs if appropriate.