

complaint

Mr B complains that Automobile Association Insurance Services Limited ("AA") mis-sold him a 'Central Heating Breakdown Cover' insurance policy.

In order to resolve his complaint, Mr B wants AA to reimburse him for the cost of a new boiler, and to refund him the policy premiums paid.

background

In February 2011, Mr B contacted AA to enquire about taking out an insurance policy to cover his boiler.

During the telephone call, AA outlined the key features of the 'Central Heating Breakdown Cover' and Mr B agreed to purchase the policy at a premium cost of £7.99 per month.

In November 2011, Mr B registered a claim under his policy because his boiler had broken down. The underwriter of Mr B's insurance policy arranged for a number of engineers to attend, who diagnosed that the cost of the parts required to repair the boiler (a heat exchanger and a pump) exceed the value of £355.14 which was attributable to Mr B's boiler.

Therefore, the underwriter determined that Mr B's boiler was beyond economic repair and paid Mr B a contribution of £250 towards the cost of a new boiler, in line with the policy entitlements. AA also paid Mr B £100 compensation as a gesture of goodwill in respect of the delays he experienced.

Unhappy, Mr B complained to AA, who explained that as his boiler was over nine years old, the cost to repair the fault was more than the boiler's value.

As Mr B remained dissatisfied, he brought his complaint to the attention of this service for consideration.

Two of our adjudicators considered Mr B's complaint and took the view that the policy had not been mis-sold to Mr B. Mr B did not accept our adjudicators' views and says:

- There is a large disparity between what he was told he could claim (four claims of up to £2000 each) and the value of £355.14 placed on his boiler;
- Although AA told him during the sales call about the beyond economic repair provisions in his policy, he was not informed of the value that would be placed on his boiler and in what circumstances the beyond economic repair clause would be invoked;
- If he had known the value which would be placed on his boiler, he would not have taken out the policy;
- His boiler was, in effect, beyond economic repair when he took out the policy;
- The cover provided has now changed from the time he took out the policy.

Mr B's complaint has now been referred to me for final determination.

my findings

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

Mr B's 'Central Heating Breakdown Cover' insurance policy provides cover for repairs of up to a maximum of £2000 on four occasions during a policy year. However, the cover provided is not unlimited and is subject to the terms, conditions and exclusions which are set out in the policy.

In particular, Mr B's policy states:

*"If **your boiler** is in the **insurer's** opinion **beyond economic repair** the **insurer** will contribute a maximum of £250 towards the cost of **you** replacing it with a new **boiler**"*

The policy defines 'beyond economic repair' as *"when the **insurer** determines that the cost to repair **your boiler** will exceed its value"*.

The AA, when selling insurance, has an obligation to ensure that a consumer is able to make an informed choice about the product being purchased. In order to do this, it should therefore bring any significant or unusual exclusions and limitations of the policy to the policyholder's attention.

I have listened to the telephone call between AA and Mr B in February 2011 and reviewed the transcript of this call, a copy of which has been provided to Mr B and is an accurate representation of what was said during the call.

Having done so, it is clear that AA informed Mr B he was entitled to up to four claims per year up to £2000 each time. This is the maximum benefit available to policyholders and I do not consider that AA made an error or provided misleading information to Mr B when it informed him of the maximum entitlement available to him.

It is also clear that AA informed Mr B of the beyond economic repair provision in his policy during the sales call. I therefore consider that AA brought the clause to his attention, as it is obliged to do.

Whilst I accept that AA did not explain the definition of 'beyond economic repair' to Mr B, or provide him with details of the value it would place on his boiler, I am not persuaded that this means the policy was mis-sold to him.

The definition of 'beyond economic repair' is contained within the policy documentation which was sent to Mr B and it was also open to Mr B to query the meaning of this phrase with AA on the telephone if he had any queries about what he was being told.

We would not generally consider that an insurer is obliged to inform a policyholder of the value attributable to their boiler at the time a policy is sold. This is because the value placed on a boiler fluctuates and only becomes relevant when a claim is registered under the policy – which, in this case, was nine months after the policy was sold.

I understand Mr B says AA should have told him the maximum amount he could claim under the policy was the value of his boiler times four claims. However, as outlined above, AA would not have been in a position to provide Mr B with this information at the time the policy was sold, as the value placed on the boiler is the value attributable to it at the time a claim is made.

If the value of the parts required to repair the boiler had been under £355.14 then AA would have been in a position to repair the boiler and indeed Mr B could have benefitted from up to four claims in the policy year as long as the value of the necessary repairs was less than the value of the boiler at the time of each claim.

I understand Mr B says, had AA told him about the value of his boiler, he would have sourced cover elsewhere. However, most similarly priced policies on the market contain a provision relating to boilers which are beyond economic repair. Although some more expensive policies on the market provide cover for a replacement boiler in the event that the boiler is under a certain age, as I understand it, Mr B's boiler was nine years old at the time of the claim and he may not therefore have been in a position to benefit from a replacement boiler even if he had taken out a more expensive policy with another provider.

It therefore follows that even if I were satisfied that this policy had been mis-sold to Mr B, it is in my opinion unlikely that he would have been in a position to find alternative cover with another provider which would have provided cover for a replacement boiler in the circumstances he found himself in.

Mr B has also mentioned that when he attempted to cancel the policy after the November 2011 claim, he was informed that he could not do so without paying a charge. As a result, Mr B continued to pay the policy premiums for the rest of the year even though he says there was nothing to insure. However, the policy does detail such a charge, so I cannot find in his favour on this matter either.

As a final point, I understand Mr B has pointed out that the wording of the policy has since changed. However, it is the terms and conditions of the policy which was in force at the time of the sale and the subsequent claim which is relevant to Mr B's complaint.

my final decision

My final decision is that I do not uphold this complaint.

I make no award against Automobile Association Insurance Services Limited.

Christopher Tilson
ombudsman