

Ombudsman news

essential reading for people interested in financial complaints
– and how to prevent or settle them



David Thomas, chief ombudsman (interim)

dealing with more numbers

Public consultation on our *corporate plan and 2010/11 budget* (for the financial year from 1 April 2010) closes on 22 February. As usual, our external stakeholders have responded helpfully and constructively on a range of issues, not least on their expectations for our future workload.

Forecasting future workload is an inexact mixture of art and science. For 2009/10 (the current financial year), taking account of all the information and views available, we had expected to receive 150,000 new cases. On current trends, it now seems likely that we will in fact receive 160,000 or so this year. But we have significantly increased our case-handling staff – so waiting times have reduced and should continue to fall.

For the next financial year, 2010/11, our central assumption is for a further substantial increase in new cases, to 190,000 – though we have also planned for a more pessimistic assumption of 228,000 new cases and a more optimistic assumption of 165,000 new cases. ▶

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Financial
Ombudsman
Service

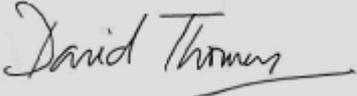
These figures reflect discussions with the financial businesses likely to have the largest number of cases referred to us, our own analysis of complaint trends, and discussions with the conduct-risk team at the Financial Services Authority (FSA).

Next financial year we aim to resolve 20,000 more cases than we expect to receive, so that – if the number of new cases is within the range of our working assumptions – we will be able to keep on bringing waiting times down. We expect to deliver this while freezing – at the levels that applied in 2009/10 – both the total levy (collected for us by the regulator from all financial businesses) *and* the amount of our case fee (paid by individual financial businesses that have four or more cases referred to us).

The cost of the ombudsman service is paid by the financial services industry, in proportion to workload – with the *total levy* divided amongst the various industry sectors according to the proportion of cases they provide, and *case fees* directly linked to the number of cases.

The written responses to our consultation are not yet all in, but we have been discussing our draft budget with various external stakeholders. Almost all have been supportive of our assumptions on the number of new cases, our plans for how many we aim to resolve, and how all this is to be funded. But they have also noted that claims-management companies look set to drive up further the number of payment-protection insurance (PPI) cases, and that – as parties in all types of cases become more entrenched – the proportion of cases that can be resolved early on in our process may well fall.

Our new chief ombudsman, Natalie Ceeney, will be leading us forward into 2010/11. My time as interim chief ombudsman comes to an end on 22 March, when I will happily revert to my former role as corporate director.



David Thomas
chief ombudsman (interim)



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183 Marsh Wall
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switchboard
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Ombudsman news is not a definitive
statement of the law, our approach or our
procedure. It gives general information on
the position at the date of publication.

The illustrative case studies are based broadly
on real-life cases, but are not precedents.
We decide individual cases on their own facts.

complaints involving **consumers** who are **in financial difficulties**

Almost certainly as a result of the current financial climate, we have recently seen an increase in the number of cases where consumers cite financial difficulties as a factor in their complaint. Usually, in such cases, consumers say their lender failed to take proper account of their financial situation.

Our approach in dealing with such cases is to see whether we think the lender has made a proper assessment of the consumer's financial situation and whether – if there *is* financial difficulty – it has taken a sympathetic and positive approach.

When consumers are experiencing financial hardship, their situation can quickly deteriorate unless appropriate steps are taken – reasonably quickly – to address the problem. Speedy and efficient handling of matters by the lender is therefore particularly important, as is close cooperation between the consumer and the lender. The best results are likely to be gained through sensitive information-gathering by the lender, followed by agreement with the consumer on a clear, fair and workable plan for tackling the problem.

The cases we see suggest that arriving at such an outcome is difficult where the lender's policies and processes are overly prescriptive, or where staff have insufficient training and authority to be able to tailor a suitable solution for the individual customer.

Some consumers may wish to obtain advice and help from a debt-advice agency – and lenders should be prepared to communicate with their customer ▶

complaints involving **consumers** who are in financial difficulties

through such an agency if that is the customer's preference. But sometimes, as in case 83/2, the lender insists on involving a debt-advice agency even where this is not what the consumer wants or needs. That does not seem to us to be in anyone's interests, and it may even delay progress in obtaining a speedy resolution to the problem.

For most of the cases we see, the most appropriate way forward will be for the lender to tailor a 'package' of suitable measures (possibly reviewable at intervals) to meet the consumer's individual circumstances. The prompt, fair and practical proposals made by the credit card issuer in case 83/3 provide a good example of this.

In some cases, we find that the lender has failed to explain its proposals sufficiently clearly, or has come up with proposals that may seem reasonable on paper but that will not be workable in practice, given the individual customer's circumstances.

Consumers who are already in financial hardship are more than usually vulnerable to the knock-on effect to their finances of poor administration by the lender – as we illustrate in case 83/4. So it is important that, having agreed on a course of action with the consumer, lenders take particular care to record and administer the arrangements correctly.

■ **83/1**
consumer asks bank to treat her complaint about charges as a priority, because of her financial difficulties

Ms M complained to her bank about ‘*unpaid item*’ charges she had incurred on her current account over the previous six years. She asked the bank to give her case priority because she was experiencing financial hardship.

The bank did not agree with Ms M that she *was* experiencing any financial hardship, so she referred the case to us.

complaint not upheld

We asked Ms M for information about her financial difficulties. She was unwilling to disclose many personal details. However, she told us that her son, who was in his early 20s, had a number of debts. She planned to help him repay some of them with the money she was expecting from the refund of her bank charges.

The records of Ms M’s current account showed that she had been through a period of financial difficulty several years earlier. At that time the bank had refunded some charges on her account, as well as helping her to re-schedule various direct debits so that it was easier for her to budget for them. We saw no evidence to suggest she had experienced any financial difficulties since then.

We said that, in the circumstances, the bank had no need to consider her case as a priority or to provide her with the type of additional assistance that might be appropriate in cases of financial hardship. ■

■ **83/2**
consumer in poor health seeks help from her bank because of financial difficulties

Miss K contacted her bank for advice, as she was finding it increasingly difficult to meet her financial commitments. She had a part-time job at her local supermarket and – largely on grounds of ill-health – she had recently cut back on the number of hours she worked. She had been suffering for some while from moderate clinical depression.

Miss K had a credit card and a current account with her bank. The current account was overdrawn, and her total borrowing was around £5,500.

A member of staff at the local branch of Miss K’s bank gave her a list of several not-for-profit debt-advice agencies, together with a printed form headed ‘*Financial Statement*’. He told her to fill in the statement with details of her income and outgoings and to then take it to one of the agencies on the list for ‘*verification*’. He said that once she had



done that, she should bring the form back to the bank. The bank would then consider how it might be able to help.

Some weeks later, Miss K returned to the bank. She said she had been to a debt-advice agency and had found it helpful to talk through her situation with an adviser. However, the adviser had said he was not in a position to verify her income and outgoings.

The member of staff she spoke to at her bank branch looked through her statement and questioned her about some of the items of expenditure she had listed. He noted the information she gave in reply and told her he would keep a photocopy of her statement, for the bank's records. However, he stressed that the bank was unable to take matters further until the statement was '*properly verified*'. It was therefore important that she found a debt-advice agency that would do this for her.

**... the 'demand' letters
continued to arrive
from the bank.**

Two months passed, during which Miss K tried unsuccessfully to obtain '*verification*' of her income and outgoings. Different members of staff from the bank rang her on several occasions during this period, with further queries about the information in her financial statement.

She also received several standard letters from the bank requesting payments. Each time she received one of these letters she rang the contact number and explained that she was waiting for the bank's advice on how to manage her debt. She was told this would be noted on her records. However, the '*demand*' letters continued to arrive.

Eventually she wrote to the bank. She said its poor handling of the situation had caused additional anxiety at a time when her state of health was already poor. And she complained that the bank had completely failed to provide the practical advice and assistance she had asked for.

The bank rejected the complaint, telling Miss K that her '*failure to cooperate fully*' had '*limited*' the extent to which it could help her. Miss K then came to us.

... she said the bank failed to provide the practical advice and assistance she had asked for.

complaint upheld

We noted that Miss K had completed the details of her income and expenditure fully and accurately, without needing any assistance from a debt-advice agency. We could see no logical reason why the bank should have required ‘*verification*’ of her statement. The bank held her current account and was far better placed than any third party to assess the accuracy of the information she had provided.

There was no evidence to support the bank’s assertion that Miss K had not been fully cooperative. She had taken the initiative in approaching the bank for guidance as soon as she realised her financial position was becoming difficult. And she had willingly answered all the bank’s questions about the details in her statement.

We noted that these questions had been put to her in a piecemeal fashion over several weeks. And the bank did not appear to have kept any coherent

record of its conversations with her.

There was nothing to indicate it had dealt with her in a sympathetic or positive manner and it had made no real progress towards helping her manage her finances.

Following our involvement, the bank agreed to combine the credit card and overdraft debts, to be repaid in interest-free instalments, reviewable every six months. This meant that Miss K would be able to operate her current account without the complication of the overdrawn balance, and its potential to incur charges and interest.

We also said that the bank should pay Miss K £500 as compensation for the significant distress and inconvenience its handling of the matter had caused, at a time when it knew she was in poor health. ■

... he was sent a formal demand for payment, threatening legal proceedings.

■ 83/3 consumer complains that credit card issuer failed to provide sufficient help when he was experiencing financial difficulties

Mr B, who had a credit card debt of around £3,000, complained that his credit card issuer should have done more to help him when he was in financial difficulties.

For some months he had been struggling to manage even the minimum amount required as a monthly repayment.

When he failed to pay anything at all for two consecutive months, his card issuer wrote to him. Mr B ignored this letter and several subsequent ones. It was only after he received a formal demand for payment, threatening legal proceedings, that he responded.

He told the card issuer that he was currently unemployed and experiencing considerable financial hardship. He was reasonably optimistic about finding another job quite quickly, as he was a skilled electrician.

However, he had been out of work for several periods over the previous two years and this had put considerable pressure on his finances generally.

The card issuer offered some concessions to help ease the financial pressures on Mr B until he was back in employment. But he said that having the debt '*hanging over*' him was '*hampering*' his efforts to find a job. When the card issuer turned down his request for further concessions, Mr B brought his complaint to us.

complaint not upheld

We noted that the card issuer had acted promptly with an offer of help, once Mr B had responded to its letters and explained why he had fallen behind with his repayments. It had refunded the late payment charges made on his account and had offered him a '*payment freeze*' for two months, to give him some '*breathing space*'. It told him that after that two-month period it would accept reduced monthly repayments for a certain time, depending on how quickly he was able to get another job.

In our view, the card issuer had treated Mr B fairly. It had responded appropriately to his situation and had offered a practical and flexible solution. We did not uphold his complaint. ■

■ **83/4**
consumer suffering from ill-health and with financial difficulties complains about lender's poor administration

Mr J wrote to his lender to say he had '*got into difficulties*' with his finances and would appreciate any advice and assistance the lender could give him.

He told the lender that his wife had died some six months earlier. He was finding it difficult to meet the repayments on the loan taken out jointly with his wife the previous year. His health had been so poor since his wife's death that he had given up his job as a warehouseman. He would soon be going into hospital for a major operation.

... no one appeared to have any record of his earlier correspondence.

The lender's response was to send a letter, addressed to '*the late Mrs J*', asking whether the loan would be repaid '*from Mr J's estate*'.

Mr J wrote again, largely repeating what he had said in his earlier letter. However, he also explained that he was entirely reliant on state benefits and he enclosed a copy of a statement showing his benefits income.

The lender wrote back promptly to Mr J. It apologised for its mistake in addressing its earlier letter to his late wife and it asked him to send details of his income. Mr J replied, enclosing a further copy of his benefits statement and pointing out that he had, in fact, already provided this information.

A week later, before he had heard any more from the lender, Mr J had a phone call from a debt-collecting business, chasing the missed payments for his loan. Alarmed by this turn of events, Mr J rang his lender to try and establish what had happened. His call was passed through to several different departments but no one appeared to have any record of his earlier correspondence. ▶

Before he had time to work out what to do next, the planned date for his operation was brought forward and he went into hospital. On his return home several weeks later, Mr J found that the lender had sent him a formal demand for payment. He had also been sent a letter by the debt-collecting business, asking him to get in touch *'urgently'*.

Mr J then sent a letter of complaint to his lender. Eight weeks later, he referred his complaint to us, as the lender had still not been able to resolve it.

complaint upheld

We thought Mr J had been badly let down by his lender. He was evidently in difficult personal circumstances and had taken the initiative in contacting the lender about his loan repayments. Far from taking a sympathetic and positive approach, the lender had added to his distress by its inept handling of the situation. It also appeared to have completely ignored his request for help in dealing with the arrears in his loan repayments.

We pointed out to the lender that Mr J was now in a very difficult financial position, with limited options. The lender accepted that it had handled matters badly. It offered to write-off the remaining debt of £700 and to pay Mr J £250, in acknowledgment of the distress and inconvenience it had caused. Mr J was happy to settle the complaint on that basis. ■

■ **83/5**

consumer experiencing financial hardship complains that his bank failed to provide sufficient help

Mr V complained to his bank about the unauthorised overdraft charges levied on his current account.

He reminded the bank that he had lost his job some months earlier, and he asked it to look into his complaint as quickly as possible because of his difficult financial situation.

The bank refused Mr V's request that it should refund all the charges on his account. However, it did offer to refund the charges levied in the previous three months. Mr V insisted that was not enough and he said the bank was acting unfairly. In response, the bank pointed out that it had refunded some similar charges on his account on a previous occasion, even though it had not been obliged to do so. Mr V then referred his complaint to us.

complaint upheld in part

It soon became clear that Mr V thought his financial difficulties automatically entitled him to a full refund of *all* the charges on his account. We explained that this was not the case. However, we told him he was entitled to expect his bank to make a reasonable assessment of his financial position – using the information he had provided – and to make fair proposals to help him.

... we thought there was more the bank could do to help him.

It did not appear to us that the bank had given any thought to how it might help Mr V relieve the pressure on his current account. Its offer to refund the previous three months' charges appeared simply to reflect a standard approach – rather than any consideration of his individual circumstances.

We told the bank we thought there was more it could do to help Mr V. Its offer to refund three months' worth of overdraft charges might ease his situation temporarily. But as we pointed out, without a more thorough approach to the underlying problem, he would soon be back in a position where he was incurring charges again.

The bank agreed that, in addition to the refund it had already offered, it would reschedule Mr V's overdraft debt of £600 at a lower rate of interest, with affordable repayments.

We told Mr V that we thought this revised offer was a fair one. It took proper account of his circumstances and would enable him to break the cycle of charges. Mr V admitted that he had hoped to get a full refund of all his charges. However, he agreed to accept the bank's revised offer. ■

‘are you the complaints people?’

Paul Kendall, head of our customer-contact division, talks to *ombudsman news* about life on the front-line at the ombudsman service – dealing with a million enquiries a year from consumers with questions, concerns and complaints about their treatment by financial businesses



Paul Kendall head of customer-contact division

Isn't it tiring answering all those calls?

Fortunately, I don't do this job alone! I head up a department of 108 people who run our consumer helpline – for enquiries by phone, letter and email. Together we handled 905,337 initial enquiries and complaints last year. This means that each working day we dealt with some 3,500 phone calls and items of new mail from consumers – a 21% increase on the previous year.

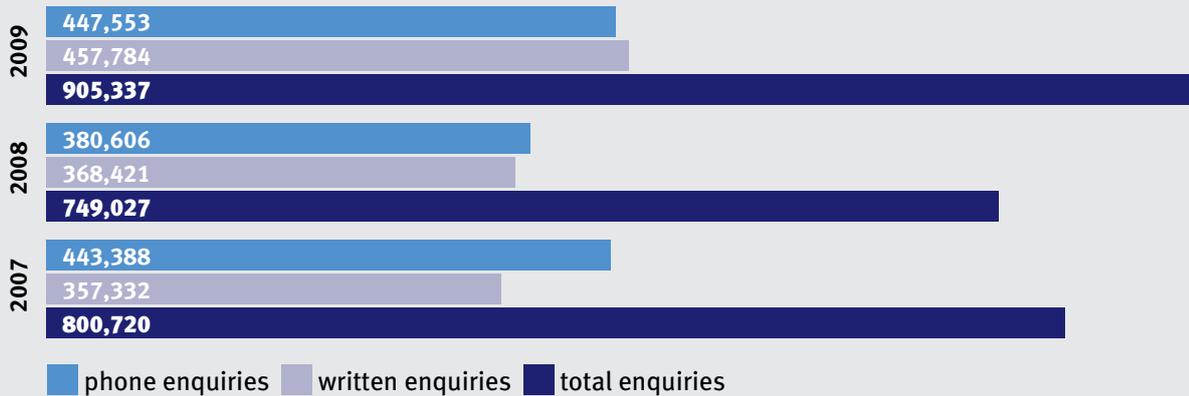
We're the first port of call for everyone who phones the ombudsman on one of our range of easily-memorable 'non geographic' numbers – from which consumers can choose the one that is cheapest or most convenient for them personally (depending on their phone tariff *etc*). We also publicise widely that we will phone people back if they are worried about the cost of calling us.

In our regular customer surveys, 97% of people say that they had no problem finding our contact details. And the proportion of consumers who say that we are '*very easy*' to contact has increased by 12% in the last two years – reflecting our continued initiatives to promote consumer awareness of our service, especially in areas where our research shows that knowledge of the ombudsman is weaker.

My department is also responsible for sorting out the paperwork and checking details on all new complaint forms that come in – before we can take them on formally as new cases. And we answer consumers' emails and deal with online complaints made through our website.

This all gives the consumer advisers working on our helpline a wide variety of complaints-handling tasks both on and off the phone. And although we're open for calls from 8am to 6pm, our front-line teams operate different rotas and shifts, so no one's on the phone for more than a few hours at a time.

calls and enquiries handled by the ombudsman's helpline



What do customers hear when they phone the ombudsman helpline?

Some of the most positive feedback we get is about the message they hear from the chief ombudsman when they call us. Obviously, it's a recorded message. But the point is that we don't want people to feel we're just another faceless, automated call centre.

Consumers say they appreciate the chief ombudsman taking the time to record a message to welcome them. It shows he's interested and involved in what happens at the front-line. I know that in some organisations the people answering the phones can feel pretty remote and uninvolved – but that's definitely not the case here.

In his message, the chief ombudsman runs through the options that callers can choose from. There are just three options – and then you're straight through and talking to a real person on our helpline. The options help filter the call through to an adviser who has the

particular technical knowledge needed for that call. This filtering is essential, given the wide range of complaints we cover – everything from pet insurance to payday loans.

Isn't increased automation the best way to deal with the growing volume of calls?

My aim is to blend the most effective call-centre technology with the best personalised customer service we can offer.

Our target is to answer 80% of phone calls within 20 seconds. This is a widely-accepted standard for organisations dealing with the volume of calls that we handle – and 98% of customers surveyed during the year said their calls to us were answered promptly. We use sophisticated call-centre software to help manage surges of calls throughout the day. That means that the moment the volume of incoming calls increases, those consumer advisers who are working on other tasks are alerted to log-on to the phone system and start taking calls. ▶

‘are you the complaints people?’

‘The person I spoke to was very understanding, asked good simple questions and, most importantly, listened.’

‘Win or lose, you have given me the chance to air my views when I had nowhere else to go.’

‘Helpful and caring. Put me at ease straightaway.’

source: customer survey of ombudsman-helpline users, autumn 2009

Of course, we pride ourselves on handling calls efficiently – and that means being able to guide and control calls professionally, especially where the consumer may be angry, confused and emotional. But we recognise that each phone call is a unique conversation. It’s the human touch that matters to most customers.

Our front-line staff don’t read from scripts or automated prompts. We don’t set targets or quotas on the number and length of calls we take. And we believe each consumer’s individual needs are best met by ensuring our front-line consumer advisers are appropriately skilled and empowered to decide themselves what approach to take – tailoring their response accordingly in each case.

Feedback from our customer surveys shows that this approach is clearly valued by consumers. 97% of people who contacted the ombudsman helpline said they were given a clear explanation of what would happen next with their complaint, and 98% felt that the consumer adviser they spoke to knew enough to answer their questions.

This approach also means we’re able to provide an individual, personalised service for consumers with different needs – for example, people with hearing difficulties or cognitive impairment, or people whose first language isn’t English. Demand for our phone-based interpreting service is increasing, as the financial companies we cover do more international business with customers round the world – for example, money-transfer operators (which only recently came under our remit) working with customers globally.

What does handling enquiries and complaints at the front-line involve?

We deal with very large volumes of incoming paperwork – with thousands of new complaint forms and files arriving every week. And we log the details of hundreds of phone calls every hour.

But we don't really see ourselves as a data-processing centre. Our job is to sort and filter large amounts of information quickly and efficiently, to be able to get to the nub of the problem – and find out how we can help. As we're at the front-line, this can sometimes be quite a challenge – especially where the two sides are already in heated argument, trading insults rather than facts.

So the first task for us on the phone is often just to calm the customer down – and to explain our role. It's very important that consumers understand we're not on anyone's side. We're committed to making sure that consumers aren't at any disadvantage in making a complaint against, say, a large bank or insurance company. And we can help people bring complaints in a way that the courts don't – for example, guiding through the complaints process those people who might otherwise struggle with forms and procedure. But being impartial means we

don't automatically '*side*' with anyone. We don't have any vested interests – and we're neither an industry trade body *nor* a consumer champion.

Our work – and our decisions – are based entirely on the facts and merits of each individual case, and not on who shouts loudest or longest. Consumers (and even some professionals working in financial services) sometimes find it difficult to accept this. But most people really seem to value the opportunity to talk through their problem with an 'arm's length' third party – someone like our consumer advisers, with the knowledge and experience to look at a problem with a fresh eye and offer an informed, impartial view. This is the service we're proud to offer consumers on our free helpline.

What approach do you take to these initial enquiries and complaints?

The way we respond to each enquiry is as varied as the complaints we cover – ranging from spread-betting and self-invested pensions to motorbike insurance and (since last November) money-transfer operators. Our consumer advisers are able to handle consumers' problems and concerns with a range of responses and actions. ▶

‘are you the complaints people?’

This includes explaining the official complaints procedures, set out by the Financial Services Authority (FSA), which financial businesses have to follow – and confirming the details of the person consumers should complain to at a business, if they haven’t already done this. We can forward complaints direct to the relevant business – for them to deal with in the first instance, under the FSA’s complaints-handling rules. And we regularly direct consumers to other appropriate complaints bodies, helplines and websites.

As part of our commitment to complaints prevention, we especially like providing the facts and information that empower people to be able to resolve problems *themselves*. This might include offering practical suggestions on sorting things out informally – without needing to escalate the matter as an official complaint. Or we might give an early steer on the likely outcome of a complaint, from our informed independent viewpoint.

Where we don’t believe it would be helpful or productive for a consumer to pursue a matter further, we explain why we think this. But equally, if we think they have a genuine case to pursue, we will reassure any consumers who seem intimidated by the formal process of complaining. We also provide impartial guidance on any redress already on offer.

In clarifying the role of the ombudsman, an important part of our work on the helpline is to explain the rules and limits on what we *can* and *cannot* do – so that we can manage expectations realistically. For example, we explain the time limits and deadlines that may apply. And we are very clear that we are *not* the regulator – and that our work does not involve punishing or fining businesses.

What difference does your handling of front-line enquiries make?

As a result of our focus on resolving as many enquiries as possible at the front-line, only around *one in six* potential complaints raised with our consumer helpline actually become ‘full blown’ cases that require the involvement of our adjudicators and ombudsmen.

We commission independent research annually to find out more about what happens next to the *five out of six* consumers who contact us initially on our helpline – but then never return with a formal complaint. The latest survey shows that of these consumers:

- 44% were subsequently able to resolve their problem themselves, without needing further help from the ombudsman service; *and*
- 95% of these consumers felt it was our early involvement that had helped them to sort things out satisfactorily at this early stage.

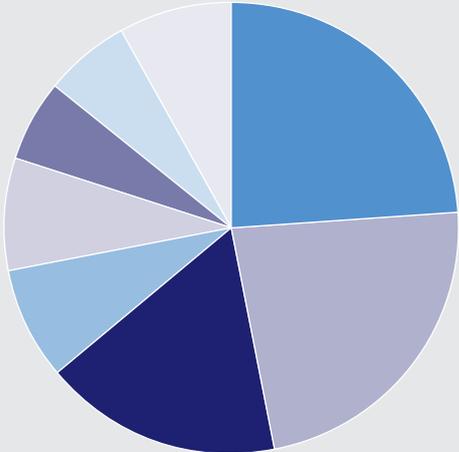
Of the 56% of consumers who were *not* immediately able to resolve their problem themselves, after contacting our helpline for initial help and guidance:

- 59% said they had continued to try to sort out the problem directly with the financial business involved (and might ask the ombudsman for further help later on); *and*
- 41% said they had let the matter drop – with half saying this was primarily because of difficulties in dealing with the financial business involved.

Our customer surveys also monitor the level of trust that consumers have in the ombudsman service. Across the UK public as a whole, 69% of people say they would trust our service. This compares with 75% of people who say they would trust Trading Standards and 81% of people who say they would trust Citizens Advice. On the other hand, levels of consumer trust in financial services trade-associations appear significantly lower – between 40 and 55%.

Surveys of people who had been in touch with our consumer helpline show that this direct contact with us significantly increased their trust in the ombudsman service – with eight out of ten of these consumers saying they trusted us, and half saying they had *complete* trust in us. ▶

how did consumers who contact our helpline first hear about the ombudsman?

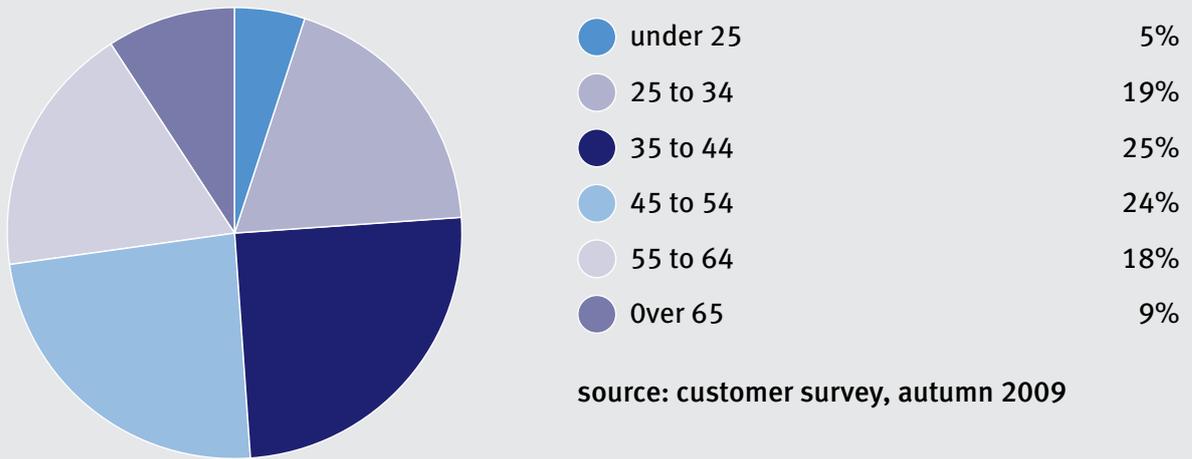


- from a friend, relative or colleague 24%
- told by a financial business 23%
- on the internet 17%
- on the television/radio 8%
- from a consumer-advice centre 8%
- in the press 6%
- other 6%
- don't know 8%

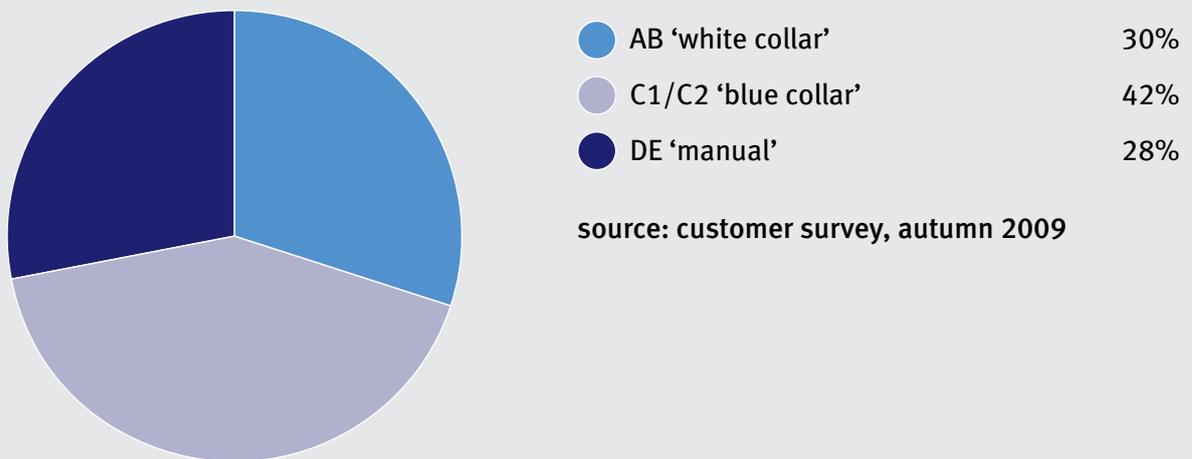
source: customer survey, autumn 2009

'are you the complaints people?'

what age are consumers who contact our helpline?



what's the socio-economic background of consumers who contact our helpline?



what financial products do consumers contact our *helpline* about the most ... ?

1. current accounts
2. credit cards
3. motor insurance
4. loans
5. payment protection insurance (PPI)
6. mortgages
7. hire purchase
8. mortgage endowments
9. other types of consumer credit
10. savings accounts

... and what financial products do consumers then go on to *complain formally* about the most?

1. payment protection insurance (PPI)
2. current accounts
3. credit cards
4. mortgages
5. consumer credit
6. unsecured loans
7. motor insurance
8. buildings and contents insurance
9. mortgage endowments
10. savings accounts

insurance complaints concerning **domestic plumbing and heating emergencies**

The household insurance disputes referred to us include a significant number of claims involving domestic plumbing and heating emergencies. Such problems frequently result in a considerable amount of distress and inconvenience for the consumers concerned. This can be greatly increased if the insurer – or its contractor – fails to take swift and effective action, particularly if the emergency arises during the winter months. In such instances, problems involving a lack of heating or the escape of water can quickly have damaging knock-on effects.

Many insurers respond promptly and sympathetically to claims involving domestic emergencies. However, the cases we see suggest that some insurers fail to appreciate the extent to which delays on their part can create real difficulties for consumers. These case studies represent some of the complaints referred to us over the past year where consumers have said that a slow or inadequate response by the insurer, or its contractors, has caused additional distress and inconvenience.

■ **83/6**
**consumer complains about the
 handling of her claim under her gas
 boiler breakdown insurance policy**

Mrs G complained to her insurer about the way in which it had dealt with her claim after her gas central heating boiler stopped working properly. She said that delays and poor service had caused an *'unacceptable level of inconvenience'*.

She had first contacted the insurer after having to shut down the central heating because of *'loud and unusual'* noises coming from the boiler. The engineer sent by the insurer to inspect the boiler was unable to find the cause of the problem. Two subsequent inspections by different engineers also failed to resolve matters. The insurer then told Mrs G that she needed to have a power flush carried out on the boiler – and that her breakdown cover would be suspended until that work had been done.

**... the consumer said that
 delays and poor service
 had caused an *'unacceptable
 level of inconvenience'*.**

So Mrs G arranged for an engineer to carry out the power flush. When he had done this, he told Mrs G to call the insurer and order a replacement valve, as he said a new valve was needed before the heating could be turned on again.

Although Mrs G called her insurer that same day, it was over a week before an engineer came to fit the new valve. Once the heating was working again, she complained to the insurer.

She said she doubted that the power flush had been necessary. She thought the insurer had told her to arrange it simply because the engineers had been unable to find the real cause of the problem. And she asked for compensation for the period when she and her elderly mother had been left without any heating or hot water.

The insurer strongly refuted Mrs G's suggestion that the power flush had not been necessary. However, it acknowledged that there had been some delays and it offered £75 to Mrs G as a *'goodwill gesture'*. ▶

... on the afternoon of Christmas day the boiler broke down again.

Mrs G said she remained ‘*unconvinced*’ that the power flush had been necessary. She also said that the offer of compensation was ‘*far from adequate*’ and that she thought £2,000 would be a more appropriate sum. Unable to reach agreement with the insurer, Mrs G referred the complaint to us.

complaint upheld in part

In the light of the available evidence, we concluded that the power flush had indeed been necessary. So we did not uphold this part of Mrs G’s complaint.

We looked at what Mrs G had said about the amount of inconvenience that she and her mother had suffered during the period when their boiler was out of action. We agreed that they had been inconvenienced and understandably annoyed by the delay – and we did not think the insurer’s offer of £75 had

been sufficient. However, we could not see that Mrs G was justified in asking for £2,000. We said that, in the circumstances of this case, £350 was appropriate, and the insurer agreed to pay this amount. ■

■ 83/7

consumer complains about insufficient offer of compensation from insurer after his boiler broke down over Christmas

Three days before Christmas, Mr and Mrs M’s boiler broke down. It was covered by *breakdown protection* insurance, and the insurer sent an engineer out the following day to repair it. All appeared to be well until the afternoon of Christmas day, when the boiler broke down again.

The engineer sent out by the insurer two days later was unable to repair the boiler. He told Mr M that it needed a new pump. Unfortunately, the exact

... they said they could not manage without hot water or central heating.

model required was not in stock and would have to be specially ordered. He did not know how long this would take and he said that some delay was inevitable because of office and warehouse closures over the holiday period.

Mr and Mrs M were very upset to learn this. They said they could not manage without hot water and central heating. Several members of their family were staying with them over the Christmas and New Year break, including two young children and Mr M's elderly father.

With the agreement of the insurer, Mr M rang round a few independent contractors and found someone local who said he could supply and fit the exact model of pump required. The insurer agreed to reimburse Mr M for the cost of getting the work done independently – and in due course, Mr M put in a claim to the insurer.

The insurer offered him £250, which was the full cost of supplying and fitting the new pump. Mr M was also offered £120 for the distress and inconvenience he had been caused.

Mr M did not think this was enough. He asked for £825, to compensate him for the disruption to his family's Christmas and to cover the cost of the portable heaters he had been obliged to hire. When the insurer refused to increase its original offer, Mr M referred the complaint to us.

complaint upheld

The claim for the cost of the repair was not in dispute, as the insurer had already offered full reimbursement of the £250 paid to the independent contractor. But we agreed with Mr M that £120 was insufficient compensation, in the circumstances.

We noted that, under his policy, Mr M could have claimed for alternative accommodation while he was waiting for the insurer to obtain the pump and repair his boiler. However, he had not done this and the insurer had not suggested it.

We said that the insurer should reimburse Mr M for the full cost of hiring the heaters. It should also pay him £250 for the distress and inconvenience it had caused. ■

■ **83/8**
insurer refuses to reimburse consumer for cost of work carried out on advice of its contractor

When Mr T's boiler broke down he contacted the insurer, under his *home emergency* insurance policy. A few days later, a contractor employed by the insurer inspected the boiler and said it had a faulty valve. Mr T later said he had been under the impression that the contractor would order a replacement and return in due course to fit it.

However, the following morning the contractor left a phone message for Mr T, telling him that the problem had been caused by '*sludge on the valve*' and that Mr T would need to arrange a power flush to release it. The contractor said Mr T would have to get the work done at his own expense, as it was not covered by the policy.

So Mr T went ahead and had the power flush carried out, at a cost of £400. The heating engineer who did the work expressed the view that it had not been necessary, as there had been no debris in the system and the fault with the boiler remained unresolved.

Mr T then contacted the insurer. He asked it to reimburse him for the cost of the power flush, on the grounds that it had only been carried out on the advice of the contractor, and it had proved unnecessary.

The insurer refused to pay up. It said Mr T's contractor should not have continued with the power flush if he thought it unnecessary. Unable to reach agreement, Mr T referred the complaint to us.

complaint upheld

The insurer accepted that Mr T had arranged the power flush on the basis of advice from the insurer's contractor. We said that the contractor was acting on the insurer's behalf when he inspected the boiler and advised Mr T on the cause of the fault, and whether it was covered by the policy.

It was clear from the evidence supplied by Mr T's heating engineer that the power flush had *not* been necessary and had not resolved the problem with the boiler. So we said that the insurer should reimburse Mr T for the cost of the power flush together with interest, backdated to when Mr T had put in his claim. ■

■ **83/9**
**consumer complains about insurer's
 handling of claim for damage resulting
 from a leaking toilet**

At the beginning of August an elderly widow, Mrs D, contacted her insurer as she thought there was a leak in her bathroom.

The contractor sent by the insurer said the problem was coming from the outlet pipe of the toilet. He confirmed that the cost of repair was covered under Mrs D's *complete utilities cover* insurance policy. However, he said he thought the toilet itself might be cracked – so there was a risk that it could be damaged further if any work was done on the outlet pipe. He advised Mrs D to buy a new toilet before having any repairs done.

**... the smell was so unpleasant
 that she had been unable to
 stay in the house.**

Mrs D was concerned about the cost that this would entail. She told the contractor she did not think she could raise the money right away to pay for a new toilet. She later said she '*got the impression there was no urgency*' about arranging the repairs.

Mrs D did not see any further signs of a leak over the next few weeks. But she then noticed that water marks had started to appear on her bathroom floor and that the toilet had become backed-up, which meant there was a risk of it overflowing when flushed.

She contacted the insurer, who sent out the same contractor. Mrs D warned him not to flush the toilet, but he did so and it overflowed. The contractor did not offer any help in clearing up the mess, nor did he attempt any repair. Instead, he told Mrs D to '*keep an eye on the situation*' and he said he would '*call in again in a day or so*'.

By that time, however, Mrs D had moved in temporarily with a neighbour. Waste water had leaked through the bathroom floor to the sitting-room below – and the smell was so unpleasant that she had been unable to stay in the house. On her neighbour's advice, she rang the insurer again to explain what had happened. ▶

... It took four visits from a gas engineer before the boiler was finally repaired.

Two days later, the insurer sent a different contractor to Mrs D's house. He repaired the leak – and told her the toilet itself was not damaged and there was no need to replace it.

With her neighbour's help, Mrs D subsequently claimed for the costs she incurred in putting right the damage caused by the leak. She also complained about the insurer's poor handling of the matter – and for the distress and inconvenience the incident had caused her.

When the insurer rejected her claim, Mrs D brought her complaint to us.

complaint upheld

We considered the information provided by both the insurer and Mrs D. The insurer's notes confirmed that the first contractor had flushed the toilet, despite the warning from Mrs D that he should not do this. We thought it likely that his actions had caused some damage. The insurer's notes also confirmed that the second contractor had completed a satisfactory repair without needing to replace the toilet.

If the repair had been carried out promptly when Mrs D first contacted the insurer, we thought it more likely than not that there would have been no damage to the bathroom floor or to the ceiling of the room below.

We told the insurer to reimburse Mrs D for the costs she had incurred in repairing the damage caused by the leak. We said it should add interest, backdated to when she first made her claim for the damage. We also said it should pay her £450 for the distress and inconvenience she had been caused. ■

■ 83/10 consumer complains about the handling of his claim under his *boiler care* insurance policy

Mr A's boiler was covered by a *boiler care* insurance policy. He contacted the insurer under this policy after his boiler broke down in early June. It took four visits from a gas engineer before the boiler was finally repaired – nearly a month later.

The boiler stopped working again in the first week of November. This time, after inspecting the boiler, the insurer's engineer told him it was '*uneconomical*' to carry out a repair. When Mr A disputed this, the engineer said it was best to take up the matter direct with the insurer.

Mr A rang the insurer as soon as the engineer left. And although he was told that someone would call him back the same day, it was nearly a fortnight before the insurer contacted him.

The insurer then confirmed that the boiler was '*beyond economic repair*'. Mr A was offered a '*discretionary payment*' of £100 towards the cost of a replacement. Mr A was very unhappy about this and made a formal complaint about the poor service he had received.

The insurer offered Mr A £150 to compensate him for its delay in confirming that it would not repair the boiler, after he had reported the breakdown in November. However, it was not prepared to reconsider its decision not to carry out further repairs.

Mr A then complained to us. He said he thought the insurer should either repair the boiler or pay for a replacement.

complaint not upheld

We looked at the terms and conditions of Mr A's insurance policy. These stated clearly that the insurer could refuse to repair the boiler in circumstances where it decided it was not economical to do so. In such circumstances, the insurer was not required to replace the boiler.

We accepted that Mr A had been put to some inconvenience during the period when he was waiting for the insurer to confirm whether or not it would repair the boiler. But we thought the offer of £150 compensation for this, together with £100 towards the cost of a new boiler, was fair and reasonable in the circumstances. We did not uphold the complaint. ■ ■ ■



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the Q&A page

featuring questions that businesses and advice workers have raised recently with the ombudsman's technical advice desk – our free, expert service for professional complaints-handlers

Q. You mention in your recently-published corporate plan that your liaison groups with industry and consumer stakeholders have been newly restructured. What do these new arrangements involve?

A. As well as the regular contact we continue to have with trade associations and consumer groups at a practical, day-to-day level, we have also always had more formal arrangements in place for dialogue with our external stakeholders collectively, as well as with individual organisations.

Following discussions with the financial services industry, from April 2010 the three sectoral liaison-groups for banking, insurance and investment – that have provided a channel for more formal communication between the ombudsman and the industry over the last few years – will be superseded by a small cross-sector industry steering group and a wider cross-sector industry panel.

Sir Christopher Kelly, chairman of the Financial Ombudsman Service, will chair the industry steering group. The members will include around eight chief executives of key financial services institutions. This group will discuss high-level strategic issues, such as major trends in our workload, our *corporate plan and budget*, and specific topics (for example, significant case issues and the mechanisms for handling 'mass claims').

Initial membership of the wider cross-sector industry panel will include all the organisations currently represented on the existing industry liaison-groups – with additional members from consumer credit, electronic money and payment

services. The panel will meet to discuss specific issues – for example, complaints involving a particular product, sector, or type of financial business, or particular complaint-handling process issues.

The ombudsman service will provide the secretariat for the industry steering group and the industry panel. We will send notice of meetings of the industry panel (and any papers) to all its members – so any members to whom the issue is relevant can attend (sending a representative of the right role and level for the particular issue).

We have also consulted on our structure for liaising more formally with consumer groups. This has resulted in our setting up a forum for representatives of a wide range of consumer bodies, to discuss complaints-handling and ombudsman issues with us collectively. The forum met for the first time in November 2009 with representatives from groups including Age Concern, Citizens Advice, the Consumer Credit Counselling Service, Consumer Focus, the Financial Services Consumer Panel, National Debtline and *Which?*.

Q. Can you confirm when your new chief ombudsman will take up her post?

A. Natalie Ceeney CBE, currently chief executive and Keeper of the Public Records at the National Archives, will join the ombudsman service in March as our chief executive and chief ombudsman. She was formerly director of operations and services at the British Library – and previously led strategic consultancy projects across a range of industries at McKinsey & Company.