Ombudsman Decision
CIFO Reference Number: 24-000439
Complainant: Mr C
Respondent: OVO Insurance Services Limited

The complainant, who I shall refer to as Mr C, complains about the way OVO Insurance Services Limited dealt with a claim for a boiler repair under his home emergency insurance policy.

Background

Mr C's complaint arises from his home emergency insurance policy with OVO. Although these policies are provided by OVO, they are sold and administered by Corgi on behalf of OVO and are branded as OVO policies. When I refer to OVO, this included Corgi.

In summary, Mr C had had a Corgi HomePlan policy since 2019. During the annual service in August 2024, the OVO service engineer identified that work he had recommended in 2020 had not been completed correctly by OVO and that there was also a blockage in the heat exchanger which required replacement. The boiler was declared unsafe and switched off by the service engineer, who then reported the issues he had identified to OVO. A second engineer attended on 9 August and agreed with the previous service engineer and identified that the main heat exchanger, the turret, and the front turret all required replacement which would require 4 hours labour at a cost of £1,097. OVO referred the repair to the manufacturer.

[1] Financial Services Ombudsman (Jersey) Law 2014 Article 16(11) and Financial Services Ombudsman (Bailiwick of Guernsey) Law 2014 Section 16(10)

The Manufacturer diagnosed the boiler as being Beyond Economical Repair (BER) on the basis that the following parts were required:

- 0020054163 Heat Exchanger
- 0020020716 Flue Duct Top Assembly
- 0020020718 Flue Duct Front Assembly

OVO completed a BER assessment, an equivalent boiler was deemed to be an Ideal Logic Heat 2 H30 with a retail price from Supplier A of £1,178.92, based on the terms of the policy, replacement parts could not exceed 75% of this price, being £884.19.

OVO assessed the price of parts using Supplier A, which amounted to £1,043.31, made up of the following part numbers which are from Manufacturer X and were deemed compatible with Mr C's boiler:

- 0020054163 Heat Exchanger £913.56
- 0020020716 Flue Duct Top Assembly £90.18
- 0020020718 Flue Duct Front Assembly £39.57

OVO therefore concluded that the boiler was BER. Mr C raised a complaint with OVO and they concluded that, whilst the boiler had correctly been deemed BER ,they accepted that there had been failings in the repair and service process and paid Mr C £125 as a gesture of goodwill. Mr C was unhappy with OVO's conclusions and referred the complaint to CIFO.

Mr C's position is that OVO should reimburse the cost of his new boiler and should reimburse 4 years of his policy premiums because his boiler had not been serviced/safety checked correctly from 2020 to 2024, amounting to financial losses of £4,186.

Upon reviewing the complaint, the Adjudicator upheld Mr C's complaint and concluded as follows:

- The servicing contract within Mr C's policy is outside of CIFO's mandate. Any complaint about that contract should be referred to Utilities ADR in the UK.
- The failure to correctly complete the repair identified in 2020 was evidence of poor customer service from OVO, but it seemed reasonable to conclude that this error did not cause the failure with the heat exchanger.

- Having reviewed the cost of parts recommended by OVO's engineer using a reputable supplier, the cost of parts did not reach the BER threshold and therefore OVO had made an error in declaring the boiler BER.
- Given that Mr C had had his boiler replaced, it was no longer possible to complete the repair, so the fair and reasonable way to compensate Mr C was to have reference to the cost of parts and labour provided by the first engineer that attended which totalled £1,097. This sum, along with interest at 8% simple per annum, should be paid from 9 August 2024.
- That Mr C was vulnerable and was caused substantial distress, inconvenience and financial concern because of OVO's handling of the claim. She concluded that appropriate compensation for this was £500. As OVO had already paid him £125, a further £375 was due to Mr C.

Mr C accepted the Adjudicator's recommendation, but OVO did not.

Subsequent Submissions

OVO initially agreed with the recommendation in part accepting the additional £375 compensation for distress and inconvenience, but the most they would pay as a contribution for having not completed the repair was the BER threshold of £884.19 plus simple interest. The Adjudicator explained that the cost OVO would have incurred in completing the repair, as they should have in accordance with the policy, would also have included labour costs. This combined cost of parts and labour was the basis for the Adjudicator's recommendation.

OVO reconsidered their position and retracted their offer. In asking for the complaint to be referred to the Ombudsman, OVO were of the view that the parts that the Adjudicator had used to assess the BER calculation whilst from the same Manufacturer X with the same part numbers as used by OVO, were not suitable because Supplier B did not specifically list Mr C's boiler as a compatible boiler on their website and therefore OVO had not made any error in their BER calculation.

The complaint has now been passed to me for a Final Decision.

Findings

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

The relevant terms of the OVO policy to be applied in assessing BER is as follows: *"The cost of parts including VAT, using reputable suppliers, should not exceed 75% of the retail price of a new boiler with the same output as your boiler, from our chosen supplier."*

The policy does not identify a specific reputable supplier or list of suppliers to be used in obtaining the cost of required parts, but CIFO is aware that OVO used Supplier A for their BER calculations. In reviewing the calculation provided by OVO, CIFO reviewed Manufacturer X's website for the parts that had been provided by OVO's engineer and Supplier B was detailed as a recommended merchant trader in addition to Supplier A.

In assessing the price of parts, the part numbers provided by OVO were compared on Supplier A and B's websites. There was no difference in the parts being used to assess the BER calculation which are from Manufacturer X and were identified using the part numbers from OVO's engineer.

OVO have said that *"Using google will provide the parts cost, however it requires a technical knowledge which our network agents have to determine if that is an appropriate fit for the boiler. Which does not appear to be the case in the examples you have given."*

OVO went on to say "*You stated in your original recommendation that you had used [Supplier B] and the prices were cheaper than the threshold of £884.19. This is correct but they do not state that they are suitable for the boiler make the customer has. So we have based our decision on the correct part numbers and the [Supplier A] prices. We not (sic) order parts that may not be compatible as this could cause further issues with the boiler."*

The part numbers on Supplier A's website show the current prices including VAT as follows:

- 0020054163 Heat Exchanger £913.56
- 0020020716 Flue Duct Top Assembly £90.18
- 0020020718 Flue Duct Front Assembly £58.86
  Total = £1062.60

The part numbers on Supplier B's website show the current prices including VAT as follows:

- 0020054163 Heat Exchanger £684.00
- 0020020716 Flue Duct Top Assembly £75.60
- 0020020718 Flue Duct Front Assembly £40.80
  Total = £800.40

The listing for the parts on Supplier A's website states: *"This Glow-worm heat exchanger is a genuine replacement part for Ultimate, Flexicom and British Gas appliances."* and goes on to list BG330 as a compatible boiler under the headings 'Technical Specification' and 'Compatibiliy'.

The listing for the parts on Supplier B's website states in relation to the heat exchanger: *"Glow-worm heat exchanger is a genuine replacement part for Ultimate, Flexicom and British Gas appliances."* But does not go on to list the BG330 as a compatible boiler.

OVO have confirmed that there is no dispute that CIFO have used the correct parts to assess the BER calculation, just that Supplier B does not specify Mr C's boiler as compatible like Supplier A does. As the parts are from the same manufacturer, with the same part number, it is not fair and reasonable to suggest that a lack of detail on the website of the merchant, that is a recognised supplier of a Manufacturer X boiler, would not be providing the same numbered parts which were confirmed as suitable by both OVO's engineer and Supplier A. In the absence of any evidence to the contrary, I am prepared to accept that the parts available from both suppliers were the same and that the specific parts-related information on the website of the two suppliers does not change that underlying fact.

I therefore do not agree that OVO was fair and reasonable in reaching the conclusion that the boiler was BER by selecting for its BER calculation the supplier that offered the same replacement parts at a higher price. The parts recommended by OVO's engineer were available from a reputable supplier for a price lower than the BER threshold and the repair therefore should have been authorised in line with the terms of the policy. Given the impact of the BER decision on the customer, if alternative part suppliers are reasonably identifiable that offer parts at a price that would bring the repairs below the BER threshold, I am minded to conclude that the customer should have the benefit of those lower prices, and therefore the repairs that the policy contract provides for.

CIFO's usual approach to assessing fair compensation is to try – as far as possible – to put the complainant in the position they would have been in but for the error by OVO. In these circumstances, it is not possible to complete the repair as Mr C had his boiler replaced when OVO told him it was BER. Had OVO run its BER calculation using available information that showed a repair was possible below the policy's BER threshold, they would have been obliged to pay for repairs in line with the terms of the policy. I am satisfied that OVO should have authorised the repair on 9 August. At that time the equivalent cost of repairs and labour was £1,097. As such, I conclude that OVO should pay Mr C £1,097 plus interest at 8% simple per annum from 9 August when the repairs should have been authorized to the date of payment.

I have also considered what level of compensation is appropriate to compensate Mr C for the distress and inconvenience he experienced as a result of OVO's handling of his claim. The adjudicator recommended £500, of which OVO had already paid £125, leaving an additional £375 to pay. Having carefully reviewed all the circumstances I consider that amount entirely appropriate in this instance. I conclude that, in addition to the compensation for economic loss set out above, OVO should also pay Mr C an additional £375 for the distress and inconvenience he has experienced.

Final Decision

My final decision is that I uphold Mr C's complaint.

To settle it OVO should pay him:

1. £1,097 compensation in lieu of the repair that should have been completed, plus interest at 8% simple per annum from 9 August 2024 to the date of payment of the compensation.
2. £375 for the distress and inconvenience caused.

Douglas Melville
Principal Ombudsman and Chief Executive

Date: 11 April 2025