

## **The complaint**

Mrs C complains about the settlement offered by The National Farmers' Union Mutual Insurance Society Limited trading as NFU Mutual ("NFU") following a claim on her property insurance.

## **What happened**

Mrs C had a property insurance policy with NFU for a building she owns and rents out. The property consists of a commercial unit with residential flats above. In January 2018 there was a fire at the property which caused extensive damage.

Due to the damage sustained, building control advised Mrs C that the building would need to be supported by scaffolding to ensure the safety of passers by. Mrs C arranged for this to be erected to support the front elevation.

She also made a claim on her insurance. NFU accepted the claim and appointed a loss adjuster to attend the site and inspect the damage.

Over the months and years that followed, the claim progressed slowly. This was in part due to Mrs C's husband, who was helping with the claim, being busy with work as part of his construction business. But also due to delays caused by NFU. It wasn't until November 2020 that a final settlement was agreed.

NFU confirmed the amount required would exceed the sum insured by the policy, so it would only pay up to the limit of around £104,000. But it said this included the cost of the scaffolding that had been in place since the fire. This was charged at £190 a week which amounted to nearly £10,000 for each year.

Mrs C didn't think this was fair. She said it wasn't part of the repairs so shouldn't be included in the sum insured. She also didn't think NFU had dealt with the claim promptly which had caused the costs to increase further. She made a complaint.

NFU didn't uphold her complaint. It said that the cost of the scaffolding was required in order for the property to be reinstated, so it was right it was included in the sum insured. And it didn't agree it had caused any major delays in the handling of the claim.

Mrs C didn't agree. She said NFU should have made her aware much earlier on in the claim that the cost of the scaffolding would be included in the sum insured. She brought her complaint to this service.

Our investigator initially agreed with NFU's stance. However on a second review she recommended the complaint be upheld. She said that she thought NFU had caused a number of avoidable delays throughout the claim that had caused the cost of the scaffolding to increase, due to the increased time it needed to be in place for. And she thought NFU should have informed Mrs C earlier in the claim that the costs would be included in the sum insured. She therefore recommended NFU pay for the scaffolding costs outside of the sum

insured. And settle the rest of the claim based on the remaining sum. She also said it should pay 8% interest on any costs Mrs C had already paid.

Mrs C accepted our investigator's opinion, however NFU didn't. It said it didn't agree it had caused delays, but instead that Mrs C and her husband weren't treating the claim as a priority due to other work commitments. And it said it had been requesting invoices for the scaffolding since January 2019, so Mrs C should have known this would be included in the sum insured. It asked for the complaint to be reviewed by an ombudsman.

### **What I've decided – and why**

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

Mrs C is unhappy that NFU has included the cost of scaffolding in the sum insured. So I need to decide if it has acted fairly by doing so.

The sum insured is the amount it would cost to reinstate the property. And NFU has said that while erecting the scaffolding was done to ensure the safety of passers-by, it was required in order for the building to be reinstated. I think this is a fair assessment, so I don't think it was unreasonable for NFU to say the costs would be included in this sum.

However, as the cost of the scaffolding was charged at a weekly rate, this meant the cost was directly linked to how long the claim took to settle. So essentially for every extra week the claim continued, the available funds for the repairs within the sum insured reduced due to the increased scaffolding costs. And while this isn't unreasonable, it did mean that any delays to the settlement had a direct impact on the final settlement.

And having reviewed the correspondence on file, I think there were times when delays were caused by both NFU and Mrs C.

Mrs C didn't always provide information that was requested by NFU promptly and there were a number of occasions where it had to chase her for reports and invoices that were needed to progress the claim.

However I have also identified times when NFU could have done more to progress the claim. For example between the first instruction in January 2018 and January 2019 there was very little progress. And Mrs C had to contact NFU regularly for updates. NFU has said that it took a number of months to validate the claim and that it was waiting for extra information from Mrs C. However from reading the internal emails provided, I think NFU could have done more to ensure the claim was moved along promptly in this time.

So from everything I've seen, I think the claim could have been progressed more promptly but that there were delays caused by both sides.

However most critically, I think NFU should have done more to make Mrs C aware that scaffolding costs would be included as part of the sum insured at a much earlier date.

While I agree NFU acted fairly by including the costs in the sum insured, I don't think this would have been clear to Mrs C from the information she had. When the sum insured was set at the inception of the policy, Mrs C would have reasonably known that this would include all reinstatement costs. But it's unlikely she would have been aware that scaffolding may be required. So while she would have been aware of the limit on the policy, I don't think she would reasonably be aware that this would include scaffolding costs.

NFU first made her aware that these costs were included in June 2020 – two and a half years after the claim was first made. At this point, costs had already exceeded £20,000.

As the insurer, I think NFU had a responsibility to make sure Mrs C was aware of anything in the policy that may impact the claim. And as the costs were affecting the remaining sum insured more as time went on, I think this should have been clearly explained to her from the start of the claim.

NFU has said it requested invoices for the scaffolding in 2019, however I don't agree this was enough to make Mrs C aware of the impact of these costs. It's usual that insurers will require invoices in order to validate parts of a claim. But this wouldn't put Mrs C on notice that these costs were included in the sum insured.

Further, NFU has repeatedly said that Mrs C's husband, who helped manage the claim, had stated that he didn't consider the claim to be a priority due to other pressing work commitments. But had he known about the decreasing sum available, he may have assessed his priorities differently.

For these reasons, I agree with our investigator that NFU hasn't treated Mrs C fairly in the way it has settled the claim. And it should therefore offer a revised settlement, removing the costs of the scaffolding from the sum insured limit.

When paying the settlement it should pay an additional 8% interest on all costs that Mrs C has already paid, to make up for the time she has been without the money.

NFU should also reimburse Mrs C for the full cost of the scaffolding, again adding 8% interest.

### **My final decision**

For the reasons I have given, I uphold Mrs C's complaint and require The National Farmers' Union Mutual Insurance Society Limited trading as NFU Mutual to:

- Re-calculate the settlement and reimburse Mrs C for claim costs up to the sum insured, excluding the scaffolding costs from this limit.
- Reimburse Mrs C the full cost of the scaffolding.
- Pay 8% interest on any costs already paid by Mrs C from the date payment was made until the date the settlement is paid.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs C to accept or reject my decision before 11 March 2022.

Sophie Goodyear  
**Ombudsman**