

## **The complaint**

Mr S has complained about the way The National Farmers' Union Mutual Insurance Society Limited ('NFU') set up his insurance policies.

## **What happened**

In 2012, Mr S contacted NFU in relation to his insurance requirements. He says he provided all the information about his existing cover to NFU. Two policies were sold to Mr S, by the same adviser.

A personal accident policy was agreed on 14 March 2012 with a start date of 23 March 2012. This policy was non-advised and the quotation confirmed a recommendation hadn't been made. It asked Mr S to read the enclosed documents to ensure the cover met his needs.

A quote for a tradesman policy was done on 6 March 2012 and put in place on 16 March 2012. This policy was recommended to Mr S and was an advised sale. Due to the passage of time, there are no further documents available from the time of sale which confirm what was discussed.

In 2020, Mr S was advised to add personal accident cover to his tradesman policy rather than having two separate policies – this would reduce his premiums. Mr S complained that he hadn't been advised to do this in 2012 and feels his policies were therefore mis-sold as he paid more money for less cover.

NFU responded to Mr S' complaint and said he hadn't suffered any detriment as a result of the way his policies had been set up. It didn't agree that the policies were mis-sold as the personal accident cover was put in place before the tradesman policy in 2012 - and so it couldn't have advised Mr S to add his PA cover to the tradesman policy, as it didn't exist at the time.

Unhappy with NFU's response, Mr S referred his complaint to this Service.

Our investigator looked into the complaint but didn't think Mr S had suffered any detriment as although she found that the policy was mis-sold, NFU provided calculations to show that Mr S hadn't suffered a financial loss.

Mr S disagreed and said he has been financially disadvantaged and he doesn't think NFU has provided correct or comparable calculations for the premiums he would have paid and the benefits for the policies he had. He says the stand-alone personal accident policy was less beneficial and more expensive than if he had combined cover in a tradesman policy.

He said:

- The calculations provided by NFU do not evidence the premium payable for the accident and illness policy alone had it been added to the tradesman policy.

- NFU has been unable to provide evidence that it provided proper and complete advice as part of the tradesman policy sale.
- Whilst Mr S did have personal accident cover in 2012, he was restricted to the extent of cover by the cost of the premiums. He was conscious of costs and asked the adviser for the best cover at the best price. And so he thinks NFU failed to provide appropriate advice in line with industry rules.

As an agreement couldn't be reached, the case has been passed to me to decide.

### **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.

Having done so, I think this complaint should be upheld. I'll explain why.

I issued my provisional decision on 14 April 2022 which I've set out in full below. I thank both sides for responding. As both parties have agreed to my provisional findings, I see no reason to depart from my provisional decision which I adopt as my final decision. Mr S has raised some further points in his response which I have dealt with below.

### **My provisional findings**

The relevant industry rules say an insurer must provide clear, fair and not misleading information when selling insurance policies in non-advised sales. And for advised sales, it should provide a recommendation based on a customer's needs to ensure it is suitable.

NFU had made the following points:

- The personal accident insurance policy was agreed on 14 March 2012 before the tradesman policy was put in place. And so it couldn't add personal accident cover to the tradesman policy as there was no tradesman policy in place when the personal accident policy was agreed.
- Both policies provide the same benefits with the option of selecting the appropriate level of cover based on individual needs and circumstances.
- Mr S was happy with the personal accident policy he had and a claim has been paid out on that policy. Cost alone shouldn't automatically mean that the policy was mis-sold as the policy was suitable for Mr S' needs.
- Mr S made a claim in 2015 which would affect his premiums after that date. If he had had a combined policy to begin with, his premiums would have been higher after 2015. So Mr S hasn't suffered any detriment or a financial loss overall.
- The additional benefits would have been selected by Mr S based on his individual needs. There was no standard minimum cover on the tradesman policy, as suggested by Mr S.

Mr S had made the following points:

- Had he been given proper information at the point of sale and told about the difference between the personal accident and tradesman policies, he would have added personal accident cover to the tradesman policy as it would have been cheaper for him to do so.
- The policies are annual contracts and so the detriment should be considered on an annual basis rather than over the lifetime of the policies.

- He should receive a refund of the cost difference of what he would have paid had he had combined policies in 2012 onwards.
- In 2020, he combined cover onto the tradesman policy and was able to select a higher level of benefit for a lower price.
- The benefits on a tradesman policy are enhanced and better value for money. In 2012, he wanted the best cover for the best price and NFU failed to deliver on this.

I have asked NFU to show what Mr S would have paid if he had a tradesman policy with personal accident cover in 2012.

I've also asked both sides to provide me with the costs Mr S paid for both of his policies combined, per year, since 2012. NFU sent initial calculations which showed Mr S would have paid about the same amount overall. But Mr S questioned those figures and I asked NFU to respond to Mr S' points.

NFU replied to explain that discounts had been added to the tradesman policy which weren't featured in the initial calculations. It provided further calculations and said further discounts were applied to the tradesman policy when PA cover was added. It has said it's difficult to know whether discounts would have been applied following the claim made in 2015. If the discounts were applied each year, despite the claim, Mr S would have paid the following:

2012	£645.59	Actually paid £841.27
2013	£710.18	Actually paid £952.74
2014	£1,274.94	Actually paid £1,692.40
2015	£1,240.28	Actually paid £1,778.10
2016	£1,075.02	Actually paid £1,293.20
2017	£993.04	Actually paid £1,571.47
2018	£866.29	Actually paid £1,490.45
2019	£822.19	Actually paid £1,701.05
TOTAL	£7,627.53	Actually paid £11,320.68

(Mr S has provided information to show that he has paid £11,479.37 between 2012 and 2019 – NFU should check these figures with Mr S as set out below).

Initially NFU had provided the following calculations, not including the discounts, but including the claims loading following the claim:

2012	£881.59	Actually paid £841.27
2013	£969.84	Actually paid £952.74
2014	£1,692.72	Actually paid £1,692.40
2015	£1,664.72	Actually paid £1,778.10
2016	£1,733.39	Actually paid £1,293.20
2017	£1,753.65	Actually paid £1,571.47
2018	£1,466.34	Actually paid £1,490.45
2019	£1,314.96	Actually paid £1,701.05
TOTAL	£11,477.21	Actually paid £11,320.68

So based on the above, even if NFU added a claims loading following the claim in 2015 for the years 2016 onwards, with the discounts between 2012 and 2015, he would have paid less overall.

I've calculated this using the following information:

2012	£645.59	Actually paid £841.27
2013	£710.18	Actually paid £952.74
2014	£1,274.94	Actually paid £1,692.40
2015	£1,240.28	Actually paid £1,778.10

Plus the initial calculations provided by NFU (without a discount but with a claims loading following the claim):

2016	£1,733.39	Actually paid £1,293.20
2017	£1,753.65	Actually paid £1,571.47
2018	£1,466.34	Actually paid £1,490.45
2019	£1,314.96	Actually paid £1,701.05
<b>TOTAL</b>	<b>£10,139.33</b>	<b>Actually paid £11,320.68</b>

The difference is £1,181.35.

However, the calculations from 2016 include a loading based on the higher premium charged. So if the loading was calculated using the discounted premium in the previous year, Mr S would have paid less than what is shown above.

The above information shows that Mr S would have paid less than what he did had he taken a tradesman policy with PA cover added from the start. And I'm satisfied that he would have taken the tradesman policy with PA cover from the start, if he had been told of his options and the prices had been compared.

As the tradesman policy was an advised sale, NFU should have considered what other policies Mr S had in place. It knew he had just taken a PA only policy and it should have considered whether cancelling that and having a combined policy would have been better for him.

For the reasons set out above, I think the policy was mis-sold and so NFU should put things right by calculating the premiums he would have paid, had he taken the combined policy in 2012 including any discounts as set out above, and including any claims loading from 2016 onwards – and refund the difference between what he has paid and what he would have paid based on these calculations.

It should then calculate and pay 8% simple interest per annum from the date each premium was collected to the date of settlement. In addition, it should check the premiums Mr S says he has paid between 2012 and 2019 as I've been provided with different figures by both parties.

### **Mr S' comments**

Mr S has accepted my findings but has asked for details of the claims loading that has been applied to the premium for each year following the 2015 claim so that he can ensure the final calculations are correct.

In its initial calculations, NFU had confirmed: *“Taking into account the size of the claim, I’d suggest a 50% claims load for the 2 renewals after the claim, reducing to 25% in the 3<sup>rd</sup> year, and removing the load at the subsequent renewal. The claim was very close to 2015 renewal, so would have been reviewed at 2016 renewal.”*

When NFU calculates the amount due to Mr S, it should confirm the claims load amounts it has added.

Mr S has also asked whether this Service can ask NFU to review its policies in case other policyholders in similar positions are affected.

I can only look into individual complaints brought by eligible complainants as set out under our rules.

Lastly, Mr S has asked about timescales. I would expect NFU to calculate and pay the amount due to Mr S within a reasonable time, which would usually be approximately four weeks. If it will take longer, I would expect NFU to keep Mr S updated.

### **My final decision**

For the reasons set out above, I uphold this complaint and direct the National Farmers’ Union Mutual Insurance Society Limited to:

- Calculate the premiums Mr S would have paid, had he taken the combined policy in 2012 including any discounts, and including any claims loading from 2016 onwards. It should refund the difference between what he has paid and what he would have paid for a combined policy.
- Calculate and pay 8% simple interest per annum on the refund due, from the date each premium was collected to the date of settlement.
- Check the premiums Mr S says he has paid between 2012 and 2019 to ensure its calculations are correct.

Under the rules of the Financial Ombudsman Service, I’m required to ask Mr S to accept or reject my decision before 13 June 2022.

Shamaila Hussain  
**Ombudsman**