

The complaint

Mr W complains about the way The National Farmers' Union Mutual Insurance Society Limited trading as NFU Mutual ("NFU") handled a subsidence claim against his home and lifestyle insurance policy.

Reference to NFU include their agents.

What happened

The background to the complaint is known to all parties, so I won't repeat it here in detail. In my decision I'll mainly focus on giving the reasons for reaching the outcome I have.

In summary, Mr W reported damage to his property in 2015 which was deemed to be the result of movement largely due to poor foundations and ground conditions. NFU says the claim was agreed to be cash settled, and Mr W would arrange for his own contractors to undertake the repairs.

Mr W says significant delays were caused by NFU and they provided unfair cash settlement offers. He says this resulted in the claim running for as long as it has and his property further deteriorated – becoming unsafe.

NFU says Mr W struggled to find contractors to provide a quote which prolonged the claim further. And say he wasn't happy with their contractor's capabilities in respect of the repairs required. They offered to cash settle the claim in 2018, which Mr W didn't accept. Mr W later provided his own quote and NFU increased their offer, and say with their final settlement amount, their total claim outlay would roughly total £77,000.

Mr W wasn't happy with NFU's cash settlement offers, and says his own quote is no longer valid. He complained to NFU about the way they handled it, the cash settlements, and their failure to put him and his young family in alternative accommodation – which he says he's had to pay for whilst living away from them over the years the claim's been running.

NFU responded to it in 2021. They accepted there were service issues and paid Mr W £350 compensation. They maintained, however, they made reasonable attempts to cash settle the claim in line with the policy terms. Mr W wasn't happy and approached our service.

Our investigator recommended a partial uphold. Although he didn't think Mr W demonstrated NFU failed to settle the claim fairly, he thought NFU should pay a further £350 compensation for the way things were handled.

Mr W didn't agree. He provided a further report he says supports that NFU treated him unfairly. Our investigator didn't agree, so the case was passed to me for a decision.

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.

Mr W has made many points in relation to this matter, I haven't addressed each one. We're an informal service and so focus on what we consider to be the pertinent points.

How the claim was settled and alternative accommodation

NFU say Mr W was carrying out renovations when he found the 2015 claim damage. They say he wanted to make alterations to his property in the areas of damage, so it was agreed appropriate for the claim to be cash settled. Mr W says, however, this is untrue, and he never requested a cash settlement – this was suggested by NFU.

This is a key point in this complaint. The dispute over which party suggested the claim be cash settled isn't the material factor here. The important point is all parties agreed to it. The notes regarding why it was deemed appropriate to cash settle the claim date back to 2016, so it's difficult to determine what was said, and by whom. Since then, however, Mr W has provided information that strongly suggests he wasn't happy with NFU's contractors. In recent correspondence, Mr W provided us with reviews of the company and has said he thinks they were incapable of undertaking the works and wouldn't have used them. So, regardless of who suggested the cash settlement option, I find it most likely Mr W would have opted for this in any event given the claim notes and recent submissions to our service.

Once a cash settlement was agreed, NFU's liability for the claim was limited to providing Mr W with a cash settlement only. They weren't liable for repair works or, importantly, remedial works to make the property safe once this concern was discovered around 2020.

I'd have expected the alternative accommodation section of the policy to have responded once the experts noted safety concerns *if* NFU were responsible for repairs – not cash settling the claim. Although NFU says Mr W still had use of cooking and washing facilities, once safety concerns were raised – regardless of how many rooms were impacted by this – it's clear the home became uninhabitable. But, as mentioned above, NFU weren't responsible for the claim repairs or remedial works given the claim was agreed to be cash settled much earlier than when these safety concerns were raised. Although the notes do suggest NFU did attempt to alleviate these safety concerns after they were established.

I understand the reasons why Mr W says he moved his young family away from the property. But I wouldn't expect the alternative accommodation section of the policy to respond retrospectively to a claim that was agreed to be settled by a cash settlement. So, I won't be directing NFU to reimburse costs Mr W incurred in arranging alternative accommodation.

Claim settlement

The property has been deteriorating for many years – likely even before Mr W first noted signs of damage. And conditions have worsened whilst this dispute over the claim costs have been running. Therefore, it's fair to assume claim-costs would increase over this time due to the rise in the costs of materials, and damage worsening. So, it wasn't unexpected to have seen NFU's cash settlement amounts to have increased over these years. They say their latest offer accounts for cost increases and includes a contingency sum for additional repairs that may be required.

Mr W provided a new report in August 2022 which he says supports his complaint. Although this took place after NFU's 2021 final response letter, I think it's important I refer to it here.

Within this report, the expert says their findings on the damage concur with what's already been scoped by previous contractors – including NFU's. So, this satisfies me that NFU took reasonable steps to include all the damage caused by the 2015 claim as part of their scope of works. But, importantly, the expert says they consider the latest offer made by the insurer to be a reflection of the likely costs associated with the claim-related repairs.

Mr W says the expert made a mistake and meant to report NFU should settle the claim based on his own contractors 2021 report – which is no longer valid and needs to be redone. Mr W's own contractors also said a 20% increase would likely be included due to the time passed. It might be the case the expert made a mistake but given NFU's settlement and claim outlay is greater than Mr W's own 2021 quote, this suggests NFU reached a fair and reasonable settlement for the claim.

NFU say they've paid £16,829.55 towards the claim and a further £60,315.58 is due to Mr W. Based on what I've seen, I haven't been persuaded by Mr W to agree this is unfair. So, NFU must now cash settle the remaining amount of the claim directly with Mr W in full and final settlement.

Outstanding works Mr W says should be included

The August 2022 report says to meet current requirements for flue installation a flue liner will be required for the chimney. This seems reasonable, so NFU will need to consider this further when making the final claim settlement to Mr W.

The claim notes suggest the bay windows were to be considered as a separate claim in 2016, although the scope of works make mention of these. NFU said the damage looked historic given the previous repairs. The August 2022 report says the damage indicates downward movement, although this wasn't investigated. The report also says the bays were poorly constructed. As it's still unclear as to whether the bays damage is related to this claim, Mr W will need to discuss this further with NFU.

Service issues

It's fair to say this claim has been subject to avoidable and unavoidable delays, against the backdrop of Mr W witnessing his property deteriorate as the years have gone on. He says he's had to live away from his young family whilst the claim has been running due to the safety concerns regarding the property. I've no doubt this has caused him to suffer a level of prolonged distress and inconvenience – over and above what's naturally expected following a claim such as this one.

There were periods early in the claim where things didn't progress as they should have, and Mr W was left chasing for updates. The claim notes also suggest some time was taken for Mr W to source his own local contractors which I appreciate would have only added to his frustration. I think the crux of the matter here is there's been a longstanding dispute over how much the claim should be cash settled for. This led to further site visits and schedules of the works, and periods for NFU to consider Mr W's own quotes and information.

Because I don't think the alternative accommodation section of the policy should have responded, I'm in turn unable to agree Mr W should be compensated for the distress and inconvenience of having to live in his property during the claim period. Rather, I've considered the delays and service issues I think were avoidable and NFU were responsible for.

As such, it's clear to me there were periods during the claim that demonstrate a lack of communication, proactiveness, and progression, which I've no doubt would have caused Mr W additional distress and inconvenience during what was already a frustrating time. And I think our investigator rightly recognised NFU's initial compensation payment of £350 in respect of this was unfair.

Having carefully considered the service issues, delays, and the impact on Mr W, I find £700 compensation to be fair, reasonable, and proportionate in this case. Whilst clearly there were avoidable delays NFU were responsible for, I also think there were delays during the claim outside their control. So, I'll be directing NFU to pay an additional £350 to Mr W.

I accept my decision will come as a disappointment to Mr W. But my decision ends what we – in attempting to resolve his dispute with NFU – can do for him.

Putting things right

NFU must now cash settle the remainder of the claim settlement and consider whether the installation of a flue liner is required to be included as part of this. They must also pay Mr W a further £350 compensation for any distress and inconvenience caused (if this hasn't already been paid).

It's appropriate for NFU to also consider the bay window damage and whether the policy should respond to this.

My final decision

It's my final decision that I uphold this complaint. I now require The National Farmers' Union Mutual Insurance Society Limited trading as NFU Mutual to put matters right as set out under heading '*Putting things right*'.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr W to accept or reject my decision before 28 October 2022.

Liam Hickey
Ombudsman