

## **The complaint**

Mr B complains that The National Farmers' Union Mutual Insurance Society Limited mishandled his claim on an agricultural vehicle insurance policy.

Where I refer to NFUM, I refer to the above-named insurance company and I include employees and others insofar as I hold NFUM responsible for their acts or omissions.

## **What happened**

Mr B is an agricultural engineer. From about 2013, he had one or more tractors insured on an agricultural vehicle policy with NFUM. The policy was annual, renewed each January.

In about April 2020, Mr B acquired a tractor through an agreement with a finance company. He added the tractor to the policy. The policy schedule listed it with a value of £48,000.00.

Unfortunately, in late September 2021, that tractor and a trailer were damaged in a collision and fire. Mr B made a claim to NFUM. NFUM said the tractor was a total loss, but the damaged trailer was repairable.

For the tractor, in early October 2021, NFUM paid about £33,000.00 to the finance company and about £15,000.00 to Mr B, a total of about £48,000. He complained to NFUM that it should've paid the market value of about £60,000.00. By a summary response dated late October 2021, NFUM told Mr B of his right to refer his complaint to us.

In March 2022, Mr B also complained about the repair of the trailer. By a final response dated mid-April 2022, NFUM partly upheld that complaint but didn't offer compensation.

Mr B brought his complaint to us in mid-April 2022.

### *our investigator's opinion*

Our investigator recommended that the complaint should be upheld in part. In relation to the trailer, she thought that, as Mr B had used a non-approved repairer, NFUM couldn't be held responsible for the delays and issues surrounding the repairs.

In relation to the tractor, the investigator thought it wasn't fair and reasonable for NFUM to rely on the policy term that NFUM would pay the sum stated in the schedule or the market value whichever is less. She didn't think it was made clear to Mr B that he would have to update the value.

The investigator recommended that NFUM should pay Mr B the market value for the tractor, deducting any premium they would've charged if the policy had the correct market value, and adding 8% simple interest.

### *my provisional decision*

After considering all the evidence, I issued a provisional decision on this complaint to Mr B and to NFUM on 20 January 2023. I summarise my findings:

As regards the trailer, I agreed with the investigator's opinion and Mr B had accepted it. So I didn't need to say any more about that.

NFUM believes that, when he acquired the "67" tractor in April 2020 – Mr B paid a 10% deposit and the VAT but financed the balance of about £48,000.00. From that, NFUM estimates that the total price had been about £53,000.00. NFUM's belief is based on its note of a call from Mr B's representative on 7 October 2021, quoting her as saying that. But I didn't consider that much turns on the price paid or the value of the "67" tractor in April 2020, because Mr B renewed the policy from mid-January 2021.

The policy terms and the IPID made it clear that the maximum NFUM would pay would be the lower of the market value or the sum stated in the policy schedule. So I was satisfied that - in the context of a long-standing agricultural vehicle policy for an agricultural engineer – NFUM had done enough to explain the importance and ramifications of declaring a value.

The combination of the change Mr B made in March 2015, the slight change he made in mid-January 2020 and the significant reduction he made in mid-January 2021 show that he knew that the sums stated in the policy schedule would limit any claim, as well as believing that the sums stated would affect his premium.

Subject to any further information from Mr B or from NFUM, I didn't intend to direct The National Farmers' Union Mutual Insurance Society Limited to do any more in response to this complaint.

Mr B disagreed with the provisional decision. His representative says, in summary, that:

- The ombudsman is supposed to be there to protect the consumer.
- Regarding loss of use/earnings from the trailer, Mr B said he was disappointed with the investigator's opinion. He accepted it providing that NFUM accepted the recommendations, which it didn't. So we should look into his complaint regarding the trailer repairs.
- We should investigate further all of the changes that Mr B supposedly made. For example Mr B does not believe that he would have made an increase in January 2020 of only £250.00 in the sum insured.
- The value in April 2020 would be of no significant relevance- the market value is of more relevance at the time of the accident in September 2021. This was due to the Covid pandemic, the halt and delays of production due to, and the subsequent increases in second-hand values of machinery and equipment once the world was starting up again- given that we faced further lockdowns right up until May 2021 Market Value would be affected and continue to be affected up to and after these dates, until production resumed, and backlogs were satisfied.
- NFUM sent 20- page renewal invites supposedly 'non advised' in the post. They included a small line about the sum stated in the schedule. Despite having numerous telephone conversations, NFUM never reminded or made clear in spoken word the importance of the sum stated in the schedule. Given times of extreme change such as during the pandemic, it is not acceptable to expect customers to call and update the market value every time they believe the value of their tractor may have

increased.

- There certainly seems to be a disregard of a standard consumer's understanding of 'historic' policy wording as well as a bias in the NFUM's favour.
- The call on 7 October 2021 was with her as Mr B's representative. She has no relation to the business. In discussion with the advisor (who is a personal friend) the discussion was along the lines of *'I'm not even sure if the market value includes the finance interest'*. If the call recordings are available these would reflect accordingly. Including this in the final decision seems biased.
- Mr B is now insured by a competitor of NFUM. The competitor has the same policy wording/IPID. However there is a clear statement, above the sums insured on the policy schedule, stating that they would pay the sum stated in the schedule or the market value whichever is less. This makes it clear to the customer.
- The investigator's recommendation would have been a fair outcome. It reflects how Mr B would of course have paid the additional premium, had he fully understood that the maximum pay- out was as noted, or indeed that he was expected to call and increase the sums insured whenever the market reflects.

### **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.

#### The role of the Financial Ombudsman Service

Our role is to decide a consumer's complaint against a regulated financial firm. We are impartial between the consumer and the firm. We reach our decision based on evidence.

#### The trailer

I consider that Mr B rather than NFUM chose the repairer of the trailer. So I don't find it fair and reasonable to hold NFUM responsible for any issues with the quality of the repair or the time it took. I don't find it fair and reasonable to direct NFUM to pay Mr B compensation for loss of use of the trailer or loss of income from hiring it out.

NFUM's final response in April 2022 said that it partly upheld his complaint about the trailer. I see that it upheld two points. These were that it should've liaised more with the repairer to provide more frequent updates, and that it should've checked with the repairer before saying it was closing the claim.

NFUM hadn't chosen the repairer and Mr B was able to contact the repairer directly. He must've been irritated by the premature notification that NFUM was closing the claim. But I don't consider that the shortcomings in NFUM's communication caused an impact on Mr B at a level that calls for compensation.

#### The Maximum Amount Payable

I've seen that – since at least 2016 - the policy terms included the following:

*"Maximum Amount Payable  
The maximum WE will pay will be:  
a) the MARKET VALUE of the VEHICLE, or  
b) the value shown on YOUR SCHEDULE,  
whichever is less."*

And – since at least 2018 - the Insurance Product Information Document (“IPID”) included the following:

*“what is insured?*

*...If your vehicle is stolen or written off we will pay the market value or the amount shown on your policy schedule, whichever is less”*

Mr B hasn’t elaborated on his understanding of the policy wording.

I accept that NFUM could’ve made it clear in the schedule that the sum stated was the maximum payable.

Nevertheless I consider that the policy terms and the IPID made it clear enough that the maximum NFUM would pay would be the lower of the market value or the sum stated in the policy schedule. So I’m satisfied that - in the context of a long-standing agricultural vehicle policy for an agricultural engineer – NFUM had done enough to explain the importance and ramifications of declaring a value. I don’t consider that NFUM had to give Mr B a verbal reminder of this.

#### Changes in the sums stated in the policy schedule

I don’t consider that it would be proportionate to try at this stage to obtain recordings of each call preceding a renewal. I say that because I consider that Mr B had a responsibility to check each policy schedule and to tell NFUM if he thought that there had been any error in the sums stated.

From at least January 2015, Mr B had a tractor with an “08” registration number. From March 2015, NFUM issued an amended schedule to change its value to £32,500.00. That was after the renewal. So I find that Mr B had contacted NFUM to update the sum stated.

From June 2016, Mr B removed the “08” tractor from cover. In its place, he added a tractor with a “16” registration number. The policy schedule stated its value as £87,250.00.

In mid-January 2019, the policy schedule listed two tractors, the “16” tractor and a tractor with an “06” vehicle registration number with values of respectively £87,250.00 and £20,000.00.

In mid-January 2020, the policy schedule listed the “16” and “06” tractors with values of respectively £87,500.00 and £20,000.00. I consider that Mr B was responsible for the slightly changed value of the “16” tractor from £87,250.00 to £87,500.00.

In about April 2020, Mr B got an additional tractor with a “67” registration number. It was of the same make and model as the “16” tractor. He added the “67” tractor to the policy. The policy schedule listed it with a value of £48,000.00.

NFUM believes that, when he acquired the “67” tractor in April 2020 – the total price had been about £53,000.00. NFUM’s belief is based on its note of a call from Mr B’s representative on 7 October 2021, quoting her as saying that he had paid a 10% deposit and the VAT but financed the balance of about £48,000.00.

The representative says that’s not correct. But no call recording is available to me. And NFUM made its note of the call for the purposes of its business. So on balance I find that NFUM correctly noted what the representative said. Neither Mr B nor his representative has provided enough documentary evidence of what he had paid.

In any event, I don't consider that much turns on the price paid or the value of the "67" tractor in April 2020, because Mr B renewed the policy from mid-January 2021.

Mr B removed the 06 tractor from cover. For the year from mid-January 2021, the policy schedule listed the "16" and "67" tractors with values of respectively £65,000.00 and £48,000.00. So Mr B had reduced the value of the "16" tractor from £87,500.00 to £65,000.00 at the same time as re-stating the value of £48,000.00 for the "67" tractor.

Mr B has offered no explanation for the reduction in the value of the "16" tractor or for the value of the "67" tractor stated in the schedule for the year from mid-January 2021. Rather he has said that by the time of the accident in September 2021, second-hand values had increased as a result of the pandemic and subsequent supply issues.

In my view, Mr B has fallen short of showing evidence that the sum stated for the "67" tractor was adequate in January 2021 but became inadequate before the accident in September 2021.

Mr B had made a mid-term change in March 2015. Even if the slight change in mid-January 2020 was a mistake by NFUM, I consider that the significant reduction he made in mid-January 2021 shows that he knew that the sums stated in the policy schedule would limit any claim, as well as believing that the sums stated would affect his premium.

In the context of a long-standing agricultural vehicle policy for an agricultural engineer, I conclude that Mr B could've updated the sum stated but he didn't do so.

### Conclusion

Because of the policy terms and the changes in the sums stated, I don't find it fair and reasonable to direct NFUM to do any more in response to Mr B's claim and complaint.

### **My final decision**

For the reasons I've explained, my final decision is that I don't uphold this complaint. I don't direct The National Farmers' Union Mutual Insurance Society Limited to do any more in response to this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 14 March 2023.

Christopher Gilbert

**Ombudsman**