

The complaint

Mr and Mrs B complain about the way the National Farmers' Union Mutual Insurance Society Limited ("NFU") has offered to settle a claim on their buildings and contents insurance policy.

What happened

Mr and Mrs B's home was badly damaged in a fire. They made a claim on their buildings and contents insurance to cover the cost of repairs to the property and the loss of contents, including furniture and personal items. They complained about the way NFU dealt with the claim and that complaint was considered by an ombudsman at this Service. The Ombudsman said it was fair for NFU to pay a cash settlement to Mr and Mrs B to settle the claim but he directed NFU to take some further action, including to reconsider the contents claim and, on receipt of invoices from Mr and Mrs B relating to the reinstatement work on the property, pay any cost in excess of the original tender price.

Mr and Mrs B decided that rather than carry out repairs to the building they would demolish and rebuild it. It took some time for this to be done. After further correspondence with NFU about this, NFU made what it called a global offer of £9,000 to cover the contents claim and any extra costs of the rebuilding work, or alternatively invited Mr and Mrs B to provide proof of any extra costs for it to consider.

Mr and Mrs B were unhappy with this and made a further complaint. NFU maintained that its offer was fair and confirmed that if Mr and Mrs B provided evidence of the cost of the reinstatement work this could be considered, but accepted there had been some delays and paid compensation of £300 for the inconvenience caused by this.

When Mr and Mrs B referred the complaint to this Service our investigator didn't think it should be upheld. She said Mr and Mrs B hadn't been able to provide proof of their loss and NFU's offer was fair.

The investigator considered further comments from Mr and Mrs B, who clarified that their concern was about the rebuilding work not the contents claim. She sought further comments from NFU but after considering this, didn't change her view; it was for Mr and Mrs B to prove their loss and NFU's offer to reconsider the claim on receipt of such evidence was fair.

As no agreement has been reached, I need to make 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 and Mrs B have said the decision to make a cash settlement of the claim wasn't fair, as it left them having to deal with all the building work themselves. But that was considered in the previous complaint and an ombudsman issued a final decision. I can't reconsider any of the issues dealt with in that complaint. I can only look at how NFU has dealt with the outstanding issues.

When considering how NFU has dealt with these, I've taken into account the relevant industry rules and guidance, which say insurers must deal with claims promptly and fairly; provide reasonable guidance to help a policyholder make a claim and appropriate information on its progress; and not unreasonably reject a claim. They should settle claims promptly once settlement terms are agreed.

Mr and Mrs B have clarified that this complaint is about payment to cover the increase in costs relating to the building work, and particularly building materials, which have increased a lot over recent years. Even if costs have increased, it's still the case that a policyholder needs to prove their loss. So Mr and Mrs B need to evidence the loss they are claiming for.

They have provided very limited information. The settlement was proposed on the basis of reinstatement works but Mr and Mrs B decided to knock the property down and rebuild it. They have explained their reasons for that but it was their decision, not NFU's. They didn't tell NFU they had decided to do this so it didn't have the chance to review the work at that point or consider alternatives.

Mr and Mrs B say they never received payment towards VAT or advice about VAT relief from HMRC. NFU says it requested proof of VAT being incurred and evidence they were not eligible for VAT relief, but didn't receive this. If Mr and Mrs B were not able to claim VAT relief they could have told NFU about this at the time.

There were delays in carrying out the work and again, while there were reasons for that, it wasn't in NFU's control. And it's not possible to directly compare the costs of the reinstatement work that was quoted for, with the cost of the actual work carried out. NFU says the lack of evidence opens the possibility that if there is a loss it may be less than the offer already made. Despite that, NFU has said it will consider the matter on receipt of evidence from Mr and Mrs B.

Mr and Mrs B have explained that they have 300 invoices but don't have the time to copy these or go through the schedule to try to match the invoices to the schedule. They have also said they accept NFU needs to see invoices but are concerned it will twist the evidence, and they don't have the expertise to dispute this. They have suggested reverting back to other options discussed in the previous complaint, have a surveyor review the documents, or include a provision for inflation in the payment.

I appreciate the difficulties they have had but as I've explained, it is for them to prove their loss. NFU has explained that the global offer included an element for inflation. It confirmed during our investigation that the offer of a payment, or alternatively to review the evidence if provided, remained open. In the circumstances I think that's fair.

NFU previously set a deadline for Mr and Mrs B to respond to the offer but waived that in view of their circumstances at the time. It may wish to provide a fresh deadline for them to provide any evidence they wish to submit.

My final decision

The National Farmers' Union Mutual Insurance Society Limited has already made an offer to reconsider the claim on the basis of any further evidence from Mr and Mrs B or to pay £9,000 to settle the claim and I think this offer is fair in all the circumstances.

So my decision is that the National Farmers' Union Mutual Insurance Society Limited should reconsider the claim on the basis of any further evidence received from Mr and Mrs B within any deadline set for them, and in the absence of such evidence, should pay £9,000 to them.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B and Mrs B to accept or reject my decision before 1 November 2023.

Peter Whiteley
Ombudsman