

## **The complaint**

Mrs W complains about the way The National Farmers' Union Mutual Insurance Society Limited trading as NFU Mutual dealt with a claim on her legal expenses insurance.

Where I refer to NFU Mutual, this includes its agents and claims handlers acting on its behalf.

## **What happened**

Mrs W made a claim on her legal expenses insurance policy. She was unhappy with work carried out by a contractor at her property.

NFU Mutual initially accepted the claim and solicitors were appointed to act for Mrs W. It later withdrew cover as there is an exclusion in the policy terms for certain contracts where the value exceeds £50,000, and the value of her contract with the contractor was £66,000.

When Mrs W complained, NFU Mutual accepted there had been some delays and paid compensation of £200.

Mrs W says she submitted all the relevant evidence about the contract when she got in touch with NFU Mutual about her claim, but it didn't realise the value of the contract was over the limit until months later. She says this delay caused problems for her and she would like NFU Mutual to continue covering her claim.

Our investigator said it was fair for NFU Mutual not to continue providing cover as the exclusion applied. But she agreed it should have told Mrs W this much earlier and instead had left her thinking she was entitled to cover. The investigator thought an appropriate level of compensation for the distress caused was £500. So she asked NFU Mutual to pay a further £300.

Mrs W didn't accept the investigator's view. She said:

- Legal proceedings had started and she was dealing with the solicitors for around 12 months before cover was withdrawn.
- This left her in a position where, after 12 months of hope, she couldn't get a satisfactory outcome against the contractor. She's not in a position to pursue the claim herself.
- Having let her down in this way, she hoped NFU Mutual would compensate her for the amount she was owed by the contractor.

NFU Mutual said the claim had only been logged in January 2023, so questioned whether the delay dated back to August 2022.

The investigator explained that NFU Mutual's records showed Mrs W had first made contact about her claim in August 2022. While she agreed NFU Mutual should not have taken so long to realise the claim wasn't covered, as the exclusion did apply it wouldn't be fair to expect it to cover the claim. She thought the compensation was fair.

As no agreement has been reached, the complaint 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.

The relevant industry rules and guidance 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.

The policy provides cover for contract disputes but there's an exclusion for a claim relating to *"construction work on any land, or designing, converting or extending any building where the contract value exceeds £50,000 (including VAT);"*

The exclusion is clear and shows NFU Mutual doesn't wish to accept the risk of contracts above the limit. Mrs W's dispute is caught by this exclusion as the value of the contract was well over the limit. So it's not covered by the policy.

NFU Mutual says it wasn't clear when Mrs W first made her claim that the exclusion would apply – it was only once the solicitors had reviewed all the information about the dispute that this became apparent. But it has accepted this could have reviewed at the beginning. And there were delays processing the claim and arranging for information to be passed on. It should have become apparent sooner that Mrs W wasn't entitled to cover.

I've thought about the impact of this delay. If it led to Mrs W acting to her detriment it would be fair for NFU Mutual to compensate her for that. So if, for example, she had started legal proceedings, relying on the belief her costs would be covered, and was then left in the position of having to continue a court case or withdraw and face costs consequences, it wouldn't be fair for NFU Mutual to leave her in that position. But that isn't what happened here.

Court proceedings had not been started. I don't think Mrs W was left in a worse position as a result of wrongly being told this claim was covered. And she had the benefit of cover she wasn't entitled to up to that point. But she thought she was covered and expected to be able to proceed with her case. So it was a shock for her to find out she wasn't entitled to cover and there would be no further funding for this claim. I appreciate this was a very difficult time for Mrs W but having considered the level of distress that would be caused in these circumstances, I think a payment of £500 is fair.

### **My final decision**

I uphold the complaint and direct The National Farmers' Union Mutual Insurance Society Limited trading as NFU Mutual to pay a further £300 to bring the total compensation for the distress and inconvenience caused to Mrs W up to £500.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs W to accept or reject my decision before 3 April 2024.

Peter Whiteley  
**Ombudsman**