

The complaint

Mr and Mrs K have complained about their building warranty provider National House-Building Council (NHBC). They're unhappy their claim on the warranty was declined and they believe the policy may have been mis-sold to them.

What happened

Mr and Mrs K had a plot of land on which they intended to build two homes – one to sell and one which they would keep as their own to live in. They wanted to obtain a building warranty for both properties and searched the market, finally deciding to contract with NHBC. They signed an agreement with NHBC in 2013.

In 2015 the houses were completed and NHBC issued a building warranty for each. The certificate for Mr and Mrs K's home contained an endorsement which said: "Home Occupied by Builder".

In December 2023 Mr and Mrs K found a problem with their roof. They made a claim to NHBC. They report that they received no response, and it was only having chased NHBC several times that they were told the claim was declined. They asked for details in writing, following some further difficulties they received written confirmation that the claim was declined because they, as the builders of the property, had continued to occupy it.

Mr and Mrs K were unhappy about this. They felt they had been upfront with NHBC from the outset – that they would be living in the property they were building as their home. They felt NHBC, in selling them the warranty, had given them misleading information. Mr and Mrs K said NHBC knew the warranty would not be suitable for them, that they'd never be able to claim on it, but had sold it to them anyway.

NHBC said it accepted that, in 2023/2024, it had communicated poorly with Mr and Mrs K. But it denied mis-selling the warranty. It said the warranty would still offer cover to any 'first owner' should Mr and Mrs K have chosen at any point during its ten-year period, to sell the property. It said Mr and Mrs K had signed a copy of the scheme's rules in 2013 which contained a clause stating that a builder, living in a property subject of the warranty, could not claim on the policy.

Mr and Mrs K brought their complaint to the Financial Ombudsman Service.

Our Investigator considered the complaint. He noted there was limited detail available from the time of the sale. He felt Mr and Mrs K had likely been unclear about the policy and felt NHBC could have done more to clarify matters with them. He said it should pay them £400 compensation.

NHBC said it had concerns about us considering the sale, given Mr and Mrs K had brought the warranty as builders. It was unhappy about being asked to pay compensation.

Mr and Mrs K were unhappy also. They felt that if NHBC had been clearer with them, they wouldn't have selected this warranty, with other warranties they'd considered having cost

less. They said the scheme's rules, being extremely long, hid the no cover term very well. Mr and Mrs K said they had assumed, when NHBC had added the endorsement, that the endorsement meant the normal terms were negated, meaning the property was covered.

The complaint was referred for an Ombudsman's decision. I felt I couldn't consider the miss-sale part of Mr and Mrs K's complaint and issued a separate decision confirming that. But I felt I could consider how NHBC had handled things in 2023/2024. So I issued a provisional decision on the merits of that aspect of the complaint to share my views on it with both parties. In short, I felt NHBC had failed Mr and Mrs K at that time, and it should pay them £150 in compensation.

NHBC said it accepted that outcome. Mr and Mrs K did not reply.

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.

I said provisionally:

"NHBC did name Mr and Mrs K as policyholders of the warranty. So I'm satisfied they can reasonably complain about NHBC's action when they tried to make their claim in 2023.

As I understand it, they made their claim in December and then heard nothing. They had to chase several times in order to get a response, and that took several weeks. There were then further issues with NHBC corresponding with an incorrect email address, which took more effort from Mr and Mrs K to sort out. This all took around two months.

NHBC accepts that it let Mr and Mrs K down with communication at this time. I can see they, as a result, suffered inconvenience and worry for a roughly two-month period. I'm satisfied that compensation of £150 is fairly and reasonably due."

As NHBC accepted my findings in this respect, and Mr and Mrs K did not respond to them, I've no need to review this matter further. I can confirm that my provisional findings are now those of this, my final decision.

Putting things right

I require NHBC to pay Mr and Mrs K £150 compensation.

My final decision

I uphold this complaint. I require National House-Building Council to provide the redress set out above at "Putting things right".

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr and Mrs K to accept or reject my decision before 8 April 2025.

Fiona Robinson
Ombudsman