

The complaint

Mr B complains about how The National Farmers' Union Mutual Insurance Society Limited ('NFU') handled his home insurance claim.

What happened

In mid-2019, Mr B made a claim under his home insurance policy with NFU after his property was flooded. But after drying works were completed, Mr B's property was flooded several more times. Due to delays related to the Covid-19 pandemic and changes during the local authority planning application - it was decided that Mr B's property should be demolished and rebuilt on higher ground.

Mr B raised a complaint about various issues which this service considered as part of a separate complaint. They included sums insured under the policy and communication issues during the claim. An Ombudsman considered that complaint and issued a final decision in January 2024.

The claim continued, but around July 2024 progress on the claim halted again due to discussions around the costs of raising the ground level when rebuilding the property. Mr B was concerned that raising the ground levels as part of the rebuild would use up a significant proportion of his policy's indemnity limit. He considered that these costs should be classed as "abnormal" and met by NFU outside of his core cover. He raised a complaint to NFU around August 2024.

NFU considered the complaint and responded to it in November 2024. NFU said the raising of the ground level was required in order for them to complete a lasting and effective repair and any costs of doing so would need to be made under the policy's indemnity limit. But they did award £250 compensation for delays they'd identified. Mr B disagreed with NFU's response - so he brought the complaint to this Service. I issued a provisional decision on this complaint in June 2025, and I said the following:

"I should start by explaining what I will be considering as part of this complaint. I appreciate Mr B's claim has been ongoing for a very long time and he has raised a previous complaint which an Ombudsman considered under another final decision. However, while Mr B has outlined in this complaint the overall impact to him, I need to make it clear that I will only be considering what's happened since NFU issued their latest final response in November 2024. That's because I'm unable to reconsider anything that has previously been looked at and decided as part of his other complaint.

I also appreciate both NFU and Mr B have provided very detailed and extensive submissions in respect of this dispute. I have found these very helpful in considering the complaint and I thank them both. But I won't be repeating the entirety of the complaint history here in my Decision or commenting on every point raised.

Instead, I've focussed on what I consider to be the key points that I need to think about in order to reach a fair and reasonable conclusion. This reflects the informal nature of this Service and our key function; to resolve disputes quickly, and with

minimum formality. However, I want to assure both parties I've read and considered everything provided.

As such, I will be looking at what I consider is the central issue as part of this complaint: whether NFU should pay for the cost of raising the ground level outside of Mr B's policy indemnity limit or whether these costs should be included in that limit. Broadly, the parties' positions are as follows:

Mr B's submissions:

- As NFU have stipulated that raising the ground level is required, the cost of this should be met by them. Mr B considers that raising the ground level's primary purpose is to reduce future cost to NFU of additional claims and to remove the risk to life issue from NFU's liability.*
- These costs are "abnormals", which should be funded by NFU outside of the policy cover.*
- The changes do not constitute "betterment" as the amended building plans mean he will experience a distinct encumbrance to his enjoyment of the property.*

NFU's submissions:

- The policy's contractual position is clear and unambiguous - the most they are required to pay is the index linked sum insured.*
- Given the lengthy delays associated with Mr B's claim, they have been faced with associated cost increases, yet they have agreed to honour the index linked sum insured to provide additional protection/funds to Mr B.*
- They consider Mr B's reference to "abnormals" to be costs that may not be fully covered by NFU as these are costs that are increased due to the nature of reinstatement that is planned.*
- NFU have agreed to consider any financially significant Additional Costs to ensure that these are split out of any Schedule of Works, to allow comparisons of costs to be completed.*
- Any costs that are imposed in order to meet building regulations requirements can be met under the building's cover, subject to all applicable limits.*

The starting point for me to consider this complaint is to outline the applicable policy terms and conditions - which say:

"The most we will pay for damage to your buildings is the insured rebuilding cost for buildings shown on your schedule and any extra amount for index linking."

NFU have already confirmed they will be increasing the index-linked sum insured as part of this claim – so I don't intend to make a finding on this point other to say that I've considered the reasons behind this, and I'm satisfied NFU increasing this sum produces a fair and reasonable outcome to this complaint point. This means I intend to focus the remainder of my decision on whether it would be fair and reasonable for NFU to cover the costs of raising the ground levels outside of the sum insured under Mr B's policy. Having carefully considered the evidence as part of this complaint – I don't think it would be.

First, while I recognise the severe impact Mr B has experienced as part of this claim, I think the policy terms are clear that works required to reinstate the property should be capped at the sum insured (subject to index linking). I appreciate Mr B says this is NFU's decision to raise the ground levels, but from looking at the emails provided, Mr B appears to have raised this as a requirement in 2019 as he had concerns over future flooding. NFU then agreed to include this, but it appears the cost estimates have increased over time. So, I don't agree that NFU made this a requirement to avoid their own liability.

NFU's liability under the policy requires them to put Mr B back into the same position he was in prior to the insured loss. Ordinarily, this would mean they would only be required to reinstate his property to how it was before the loss. I think raising the ground levels to avoid future flooding would fairly be classed as betterment given it will avoid future flooding and potential claims.

And while I appreciate Mr B's submission that this will reduce NFU's need to deal with any potential future claims – I think this works both ways. That's because raising the ground levels will also be a benefit to Mr B – as doing so means he won't continue to suffer flood damage and associated losses or future claims.

Mr B has made reference to raising the ground levels being an "abnormal" cost. There is no such term in the policy, but I can see NFU have outlined that "abnormals" are usually considered to be costs that are unusual, or not normally expected under normal policy cover. They've said ordinarily this means they wouldn't be covered under the policy at all. However, they have agreed to cover these costs under the sum insured, which I find to be fair in the circumstances.

I appreciate that Mr B couldn't have reasonably known about these costs when he set the sum insured under his policy. But I don't think this in and of itself would fairly allow me to direct NFU to cover these costs outside of the policy's indemnity limit. While I appreciate this isn't the answer Mr B had hoped for, ultimately, my role is to consider whether NFU have acted fairly when handling this claim.

While I acknowledge there were some delays during the period I can consider, from reviewing the claim notes, I think NFU properly investigated the claim and considered what could be done to resolve things fairly. They included the additional costs within the claim and have taken steps to minimise additional costs that can't be covered under the policy, as well as identifying where different parts of the policy can cover parts of the claim, reducing instances of under-insurance.

In respect of compensation, I've considered Mr B's testimony about how he says this claim affected him. As I explained previously, I'm not able to consider the entirety of the claim history, only events that have occurred since the final response in November 2024.

Having done so, I agree that NFU's claim handling fell short on occasion, and so, I think they should pay compensation to account for their actions. In their final response, NFU identified a one-month delay in progressing the claim and also confirmed they had caused some confusion around what the scope of insured works would be. They awarded £250 compensation in recognition of this, so, I need to think about whether that's enough to put things right.

Having done so, I agree that the compensation payment of £250 is a fair and reasonable conclusion to this complaint. I'm overall persuaded it creates a fair and

reasonable conclusion to this particular case, and I'm satisfied this sum reflects the impact NFU's actions had on Mr B during the period I can consider. I also think it is in line with similar awards this Service would make. That means I'm not intending to direct NFU to increase this sum."

I said I did not intend to uphold the complaint, and I invited both parties to provide a response or any further information they wanted me to consider. Mr B provided the following points:

- He did not introduce the requirement to raise the ground level and it was a requirement by NFU's loss adjusters. He only referred to it in communication.
- The projected sums mean it will not be enough to both raise the ground and build the property within the policy limit.
- With regards to NFU index linking the policy value, this was a clause requirement of the policy, and not something they agreed to do.
- With regard to betterment enjoyed by raising the ground level, the property did not previously flood but now floods due to upstream changes in the floodplain.
- Mr B asked whether it would be acceptable from a legal and moral position to rebuild at the same level and for the new property to suffer repeated flooding and for NFU to accept the consequential losses and the known risk to life that this would incur.

As both parties have now been given the opportunity to provide their response to my provisional findings, I'll now set out my final decision below.

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 B feels it's unfair the NFU told him to raise the ground level and now refusing to cover the costs of doing so outside of the policy's indemnity limit. I've considered his submissions on this very carefully. But having done so, I haven't been persuaded to change my view of this complaint.

I appreciate Mr B says it wasn't his decision to raise the ground level, and he's explained that NFU's loss adjusters made it a requirement of the claim, which he then referred to in communications going forwards. In my provisional decision, I said that I could see emails in which Mr B appears to have raised this as a requirement in 2019 as he had concerns over future flooding. This finding was made in relation to Mr B outlining why he agreed the ground level should be raised, and I said that I wasn't persuaded that NFU made this a requirement in order to avoid their own future liability.

I understand that the property did not flood previously and now does flood as a result of changes to the floodplain that a neighbouring property owner has made. While I sincerely appreciate how frustrating this must be for Mr B, I don't think this means that NFU are strictly responsible for making changes to avoid future flooding as part of this claim.

Ultimately insurance policies are contracts, and this means the insurer's responsibility is to meet the terms of the policy, which require NFU to put Mr B back in the same position as he

was previously. But if a third-party then does something which causes future flooding – that would be a separate issue.

I think that NFU have done what they can to accommodate this additional issue within the claim by agreeing that additional works that are needed to reduce future flooding can be met under the policy. However, I don't agree that it would be fair or reasonable for NFU to cover these costs outside of the policy's indemnity limit within the circumstances of this complaint. In this case, the policy clearly states that the most NFU will pay as a result of a claim is the indemnity limit shown on the policy schedule as well as any extra amount for index linking.

I appreciate that NFU's loss adjusters originally recommended that the ground level be changed in order to move the property from where it was originally situated. But generally, recommending or even requiring a certain method of reinstatement doesn't then override the agreed financial cap under the policy's terms. While there may be exceptions to this, due to an insurer's errors, or delays which cause further damage which needs to be resolved in order to carry out an effective and lasting repair – I'm not persuaded this complaint falls into that scenario.

I've reviewed the correspondence of this complaint, and Mr B has helpfully provided a copy of a letter from NFU which confirms that they did tell him to raise the ground level. But I haven't seen anything to suggest that NFU promised to cover the ground rising costs outside of the policy's insured sum. While I accept that Mr B would not have known the full cost implications at the time of taking out the policy, and he appears to have acted in good faith, this does not create a requirement for NFU to extend the indemnity limit.

Ultimately, under the policy terms NFU are required to return Mr B's property to the condition it was in before the loss. I think they've attempted to do this whilst also taking into account additional factors outside of the insured loss itself. And even if this improvement benefits both NFU and Mr B, this does not require NFU to fund betterment beyond the contractual indemnity limit of the policy. As such, I find that it is fair for NFU to treat the ground raising costs as falling within the sum insured, rather than in addition to it.

Conclusion

I understand this has been a very long and frustrating claims process for Mr B and I am naturally sympathetic to the situation he now finds himself in. But having carefully considered the complaint, the policy's terms as well as the relevant evidence - my decision remains that NFU have acted within the terms of the policy and they are not required to fund additional costs that exceed the policy's indemnity limit, even if they recommended the method of reinstatement.

My final decision

For the reasons I've given above, my final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 7 August 2025.

Stephen Howard
Ombudsman