

## **The complaint**

Mr S has complained on behalf of his business (which I'll refer to as "R") about the way that The National Farmers' Union Mutual Insurance Society Limited ("NFU") has chosen to settle a claim made under R's building insurance policy.

R has been represented throughout this complaint by a third party. For ease, I'll refer to the representative's comments as Mr S's own.

## **What happened**

In February 2020, R made a claim under the Farm Select Insurance policy it held with NFU, following storm damage to the insured property. The claim was for the replacement of a high value damaged farm building.

NFU accepted the claim, but offered three possible settlement options to R. The first was to reinstate the building, the second was to pay a contractor of Mr S's choice in stages to reinstate the building, and the third was for NFU and Mr S to both appoint an expert to calculate the diminution of value of the buildings as a result of the damage, and for NFU to pay the diminution of value in settlement of the claim.

Mr S complained. He said he wanted a cash settlement for the cost of reinstatement paid directly to him – not to his builders. He said this is what NFU had done previously in settlement of other claims he'd made. And he also thought NFU should pay his reasonable legal costs in pursuing the matter.

In response, NFU said that due to the high value of the claim and the extent of the damage, the payments under the claim could only be made in stages to the builder direct and that this was in line with the policy terms. Mr S didn't agree that the settlement should be paid to builders and not to R as a cash settlement. An earlier claim had been paid to R in cash and Mr S couldn't see why there was now a restriction in the policy that any cash settlement would be limited to the diminution of value, which he hadn't been made aware of.

Unhappy with NFU's response, Mr S referred R's complaint to this service through a legal representative. Our Investigator considered the complaint, but didn't think it should be upheld. The Investigator said he wasn't satisfied that Mr S would've acted differently had he been made aware of the relevant policy term. And that the options put forward by NFU were reasonable as they would indemnify R in a way that suited NFU, which is what the policy allowed for.

As Mr S didn't accept our Investigator's view, the complaint has now come to me for an Ombudsman's final 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.

As this is an informal service, I'm not going to respond here to every point raised or comment on every piece of evidence Mr S and NFU have provided. Instead, I've focused on those I consider to be key or central to the issue. But I would like to reassure both parties that I have considered everything submitted. And having done so, I'm not upholding this complaint. I'll explain why.

The insurance industry regulator, the Financial Conduct Authority (FCA), has set out rules and guidance about how insurers should handle claims. These are contained in the 'Insurance: Conduct of Business Sourcebook' (ICOBS). ICOBS 8.1 says an insurer must handle claims promptly and fairly; provide reasonable guidance to help a policyholder make a claim and give appropriate information on its progress; and not unreasonably reject a claim. It should also settle claims promptly once settlement terms are agreed. I've kept this in mind while considering this complaint together with what I consider to be fair and reasonable in all the circumstances.

I've checked the policy terms. These say, under "Settling Claims":

*"In the event of insured DAMAGE to YOUR PROPERTY WE will at OUR option:*

- 1 *reinstate the DAMAGED PROPERTY by:*
  - a) *rebuilding or replacing it:*
    - i. *in any suitable manner; or*
    - ii. *on another site;*

*provided that the amount WE pay is not increased beyond what WE would have paid otherwise; or*
  - b) *repairing or restoring it to a condition equivalent to but not better than or more extensive than when new; or*
- 2 *pay the cost of reinstatement of the DAMAGED PROPERTY, calculated as follows:*
  - a) *where the PROPERTY is lost or destroyed, the cost of rebuilding or replacing the PROPERTY; or*
  - b) *where the PROPERTY or part of the PROPERTY is DAMAGED, the cost of repairing and restoring the PROPERTY or the DAMAGED part of the PROPERTY;*

*to a condition equivalent to but not better or more extensive than when new.*

*WE will not reinstate or pay the cost of reinstatement:*

- 1 *unless reinstatement commences and proceeds without unreasonable delay;*
- 2 *until the cost of reinstatement has actually been incurred and YOU have produced satisfactory invoices in support of the claim;*
- 3 *where the DAMAGE is insured by any other insurance effected by YOU or on YOUR behalf which is not on the same basis of reinstatement; and/or*
- 4 *for DAMAGE to STOCK.*

*If WE do not reinstate the PROPERTY or pay the cost of reinstatement WE will pay:*

- 1 the cost of repairing the PROPERTY or any DAMAGED part of it to a condition equivalent to but not better than its condition immediately before the DAMAGE occurred; or*
- 2 the difference between the market value of the DAMAGED PROPERTY immediately before the DAMAGE and its market value as a direct result of the DAMAGE;*

*whichever is lower.”*

From the above, it's clear that NFU has acted in line with the terms of R's policy, considering the options it has put forward to indemnify R for its loss. It's offered either reinstatement of the building, or to pay R's builder in cash, in stages, for the required work – or to pay R the diminution of value.

Mr S says he wasn't aware of the terms of the policy, and previous claims were settled differently. But it's clear from the policy that NFU can choose how to settle the claim – and it isn't bound by how it's settled claims in the past.

I've also seen insufficient evidence that the terms of the policy weren't clearly set out to Mr S when he took the policy out. And from what I've seen, I'm not persuaded that the terms are so onerous or unusual that they'd need to be specifically highlighted to Mr S. But even if I did consider the relevant terms unusual, and whilst Mr S expected them to be highlighted specifically to him, I don't consider he would've acted differently, for example by not taking out the policy, had the terms above been highlighted to him. This is because the policy provides indemnity for a loss, and lists the options that NFU can choose from to indemnify the policyholder – options which I don't consider unreasonable. I can't see anything in the policy which would make me think Mr S wouldn't have gone ahead with it, had it been made clear to him that NFU could choose how to settle the claim from those options. If Mr S wanted the property reinstated, he could do so at no cost to him, through the options given, and if he didn't intend to reinstate the property with the cash settlement, then it would be fair for any such cash payment to be limited to the diminution of value.

Mr S has said that it's financially more beneficial for NFU to settle the claim in the way in which he would prefer, i.e. to issue a cash settlement which would be less than the cost of rebuilding the property. Whilst I accept Mr S's position, the terms and conditions of his policy – which I've set out above – allow NFU to settle the claim in the way it chooses, irrespective of how costly the option it chooses may be. So I'm not persuaded by this point.

I've considered whether legal fees are payable under the policy, and can see from the terms that any such fees are only covered by NFU in respect of rebuilding or reinstating the property, not in the preparation of the claim. So I'm not persuaded NFU needs to pay Mr S's legal representative's fees.

It follows therefore, that as NFU's actions have been within the terms of its policy, I'm not satisfied it's acted unfairly, and so I won't be upholding this complaint.

### **My final decision**

My final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask R to accept or reject my decision before 23 August 2025.

Ifrah Malik  
**Ombudsman**