

The complaint

Mr and Mrs L complain that The National Farmers' Union Mutual Insurance Society Limited ("NFU") unfairly cancelled their home insurance policy.

What happened

Mr and Mrs L had home insurance with NFU. They made a number of claims for damage to a wall at the front of their home. The final claim made in October 2024 was for storm damage to the wall. NFU declined the claim.

In April 2025 NFU wrote to Mr and Mrs L to tell them their policy was going to be cancelled in line with the policy terms and conditions. Mr and Mrs L challenged the cancellation, but NFU didn't change its decision. NFU initially told Mr and Mrs L it was cancelling the policy because the damage claim made in October 2024 couldn't be validated.

Following further challenges NFU decided not to cancel the policy and so it was allowed to lapse in May 2025. NFU told Mr and Mrs L they would still need to declare the cancellation even though the policy wasn't cancelled. Because they weren't happy with the cancellation Mr and Mrs L complained.

NFU say the policy was cancelled in line with the terms and conditions. Mr and Mrs L didn't agree. So, the complaint was referred to this Service.

One of our Investigators considered the evidence and concluded that NFU had acted fairly in respect of the cancellation of the policy but then didn't actually cancel the policy – it was allowed to lapse. The Investigator recommended NFU remove any record of a cancellation and pay Mr and Mrs L £300 for the distress and inconvenience caused.

NFU didn't agree and said it had allowed the policy to lapse and not invited Mr and Mrs L to renew the policy – and this is something they would need to declare to future insurers although it isn't recorded on any insurance database. Our Investigator amended the redress in her view. She said NFU should pay Mr and Mrs L £300 for the distress and inconvenience caused and provide a letter for Mr and Mrs L to show future insurers to explain what happened around the notice of cancellation.

NFU agreed with the Investigator's outcome. Mr and Mrs L didn't – they said because they hadn't seen any correspondence from NFU that stated it had rescinded the cancellation notice they weren't able to agree with the Investigator's view and recommendations. Because Mr and Mrs L didn't agree, the complaint has come 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.

Having done so, I agree with the conclusions reached by the Investigator. I know Mr and Mrs L will be disappointed by my decision, so I have explained my reasoning below.

Policy Cancellation

The terms and conditions of the policy allow NFU to cancel the policy in certain situations. NFU can do this at any time provided it gives 14 days' notice in writing. In April 2025 NFU wrote to Mr and Mrs L to notify them their policy would be cancelled. It gave the required 14 days' notice so the policy would be cancelled on 24 April 2025, and so it appears it has complied with the terms of the policy.

However, the policy wasn't cancelled. NFU reconsidered its position and wrote to Mr and Mrs L on 1 May 2025 to explain that the policy would continue until the next renewal date, and NFU would not offer to renew it. And so, the policy lapsed at the end of the term of insurance on 30 May 2025.

Had the policy been cancelled its likely I would have directed NFU to remove any record of cancellation from its own systems and any external databases. However, as explained above, I'm satisfied the policy was allowed to lapse rather than be cancelled and therefore there is no record of this on any databases.

Communication

Mr and Mrs L say NFU didn't adequately explain whether their policy had been cancelled or allowed to lapse. It also wasn't clear whether they needed to disclose a cancellation to future insurers or not. I have thought about this carefully.

I agree the communication from NFU wasn't clear. The letter dated 1 May 2025 says, "*We have reviewed our previous decision to cancel your policy with effect from 24 April 2025. Our Claims Validation Team have reviewed your response and confirmed that their decision on claim...stands*". Here NFU appear to be saying the decision to decline the claim for damage to the wall remains, but it reads as though the decision to cancel the policy remains. So I can understand why Mr and Mrs L weren't clear on what was happening with their policy.

The same letter goes on to say, "*We regret to advise that our decision to no longer offer cover has therefore not changed. The decision to cancel your policy has been made due to the reasons outlined in our letter dated 16 April 2025*". I agree with Mr and Mrs L that this isn't clear. NFU appear to be confirming the decision to cancel the policy has not changed. But, in fact, the decision had changed. The policy was no longer being cancelled. I don't think that's clear from this correspondence so I can understand why Mr and Mrs L were confused.

NFU also told Mr and Mrs L that if it receives any further information that may give them another reason to cancel or void the policy, then it can also rely on that information. This wording implies that the decision to cancel the policy is still in effect. But it's not.

Following receipt of the letter, Mr L emailed NFU to ask the following, "*can you confirm that once our Policy expires at the end of the month, that should we then seek a new policy with another provider, that there will be no negative impact based on your decision not to renew our current policy? For example, increased premium or unable to obtain cover. On simple terms, is there now a marker on our file*".

NFU responded to confirm Mr and Mrs L would need to disclose to future insurers that they have had a renewal declined but it won't be sharing details of this matter with other insurers. I don't think NFU have communicated clearly here. It's plain from Mr L's email that he isn't sure of the status of his policy and whether this may negatively impact him when obtaining future insurance. NFU have a duty to provide clear and not misleading information, and I

don't think it has done that here. NFU should have, in its response, clearly explained to Mr L that there was no marker on his file.

Mr and Mrs L have a duty to answer questions honestly when taking out future insurance but there is a clear difference between having a policy cancelled by an insurer and having a policy lapse at the end of its term. And I think NFU could and should have made this clear to Mr and Mrs L from the outset.

Conclusion

When a business makes a mistake we expect it to restore the consumer's position, as far as its able to do so. And we also consider the impact the error had on the consumer.

Ultimately Mr and Mrs L had a home insurance policy which wasn't renewed, leaving them in a position where they had to obtain new insurance and potentially declare a policy cancellation to new insurers. Our investigator said NFU should pay £300 to reflect the distress and inconvenience caused by the matter. The ombudsman service's approach to awards for compensation can be found on our website.

The inconsistent and unclear advice will have caused unnecessary stress to Mr and Mrs L as they were trying to understand what they needed to disclose to future insurers. But, fortunately, it didn't in itself have adverse repercussions for them. They have, however, suffered the inconvenience of trying to find alternative cover because they were told their policy was going to be cancelled, and the worry that their details had been recorded on insurance or fraud databases.

And so, to reflect this, and the inconvenience caused, I think compensation in the amount of £300 is fair and reasonable and is broadly in line with the awards which we make for distress and inconvenience set out on our website.

Putting things right

In order to resolve this complaint I direct NFU to;

- Pay Mr and Mrs L £300 compensation for the distress and inconvenience caused to them.
- Provide a letter for Mr and Mrs L clearly explaining what happened around the notice of cancellation and confirming the policy wasn't cancelled.

My final decision

My final decision is that I uphold this complaint and direct The National Farmers' Union Mutual Insurance Society Limited to put things right by doing what I've set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs L and Mr L to accept or reject my decision before 5 January 2026.

Kiran Clair
Ombudsman