

The complaint

Mrs R and Mr R complain about how The National Farmers' Union Mutual Insurance Society Limited (NFU) settled a claim made under their buildings insurance policy.

Mrs R and Mr R are represented by Mr E. For ease I'll refer to Mr R as he was the primary contact for the claim. Any references to NFU include its agents.

What happened

In April 2023, Mr R made a claim for an escape of water which impacted the lower ground floor of their home. NFU accepted the claim and Mr R submitted a scope of works for repairs that could be identified at that point which were valued at £75,457. This estimate was accepted and NFU paid half of the cost to Mr R upfront and said it would pay the balance when the works had been completed.

During the strip-out works Mr R's contractor discovered residual water on top and beneath the damp proof membrane which led to the membrane being removed. When Mr R notified NFU of this, and the increased estimated cost of repairs, NFU said works needed to stop to determine the source(s) of the water. NFU said it wasn't clear if the water came from a leaking pipe, an appliance, or because the damp proof membrane was defective. NFU appointed further experts, including a specialist in basement waterproofing.

Further investigations took place which reached the overall conclusion there were signs of longer-term water ingress. NFU looked more closely into a claim from 2016 with another insurer which also related to water ingress in the same area. NFU said investigations suggested the basement hadn't been properly dried following that claim. NFU said it wouldn't pay the increased cost of repairs because not all the damage being claimed for had been caused by the recent escape of water.

Mr R said NFU had accepted the claim and authorised repair works and therefore should pay the increased estimate. Mr R referred his concerns to the Financial Ombudsman Service. They were considered by one of our investigators who said it was fair for NFU to honour the original commitment it made. This was because Mr R had instructed contractors based on that agreement. But that NFU had fairly declined to cover the issues discovered later. Our investigator said to put things right NFU needed to pay Mr R any outstanding balance, plus interest. And she said its handling of the matter caused avoidable distress, so NFU should pay Mr R £400.

NFU accepted the investigators conclusions, noting it had already paid the balance, but Mr R didn't. He maintained that following the initial offer, NFU had asked for any provisional sums in relation to the tanking or membrane to be passed to it, which indicated these costs would be covered. Our investigator didn't reach a different conclusion, so the matter 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.

This decision focuses on what I consider to be the key evidence relevant to a fair and reasonable outcome. This reflects the informal nature of the service and isn't intended as a discourtesy. I've considered all the evidence and agree with the investigator's conclusion for largely the same reasons.

In the first instance, I'll set out that I'm satisfied NFU paid Mr R the £75,457 (less the policy excess) initially quoted for the repairs. NFU had sufficient opportunity to establish the damage claimed for and draw up a scope of works. It accepted Mr R's claim and he proceeded to carry out remedial works based on that acceptance and assurance he would receive the balance of the funds. As NFU had also accepted this point I don't intend to comment any further.

However, I'm persuaded NFU has fairly shown that not all the damage claimed for in the revised scope of works was caused by the originally reported escape of water. NFU appointed several experts who subsequently identified three causes of water ingress. These were a cracked downpipe, historical penetration of water through a defective damp proof membrane and residual water from the 2016 claim.

I've considered the findings set out by NFU's loss adjuster, who collated the experts' investigations. They identified deficiencies in the installation of the damp proof membrane, noting that rather than using cavity wall brick plugs, wooden batons had been screwed through the membrane and concluded this would lead to water ingress. The expert also noted the batons showed evidence of staining and deterioration, along with a heavy rust deposit. They said this together indicated the membrane joint wasn't watertight.

NFU's loss adjuster also reviewed documentation relating to the claim from 2016. I appreciate there's been a significant amount of correspondence about the cause of damage in that claim and how it was recorded. However, the key parts of the exchange suggest when carrying out the repairs there wasn't any mention of drying works factored into the remedial works and there was also an absence of drying certificates. The findings of the experts appointed by NFU are persuasive in setting out that some of the water ingress predated this claim.

Mr E put forward the thoughts from Mr R. Essentially, they said the initial scope of works set out a provisional sum had been allowed to seal off the tanking and the extent of works would be reviewed later. In their view, this meant NFU needed to honour the revised estimate.

I don't agree. For the reasons I've set out above, I'm satisfied NFU has shown there was pre-existing damage in the lower ground floor. And it's important to note NFU wasn't provided with the opportunity to fully scope out what of that damage predated the April 2023 escape of water. This is because Mr R's contactor took steps to remove the membrane without authorisation from NFU.

I appreciate Mr E also says the initial claims correspondence from NFU asked Mr R to send over any further details of costs. But this doesn't mean NFU was bound to pay all further costs identified. I'd expect NFU to consider if the policy provided cover and, if it did, to meet these costs. For the reasons I've set out above I'm satisfied NFU has fairly shown it can decline the claim for the further costs. I'm not going to require it to increase the amount it's paid so far to settle the claim.

Both sides have accepted our investigators conclusion the balance could have been paid by NFU sooner than November 2024. NFU should pay simple interest at 8% per annum from

31 May 2024 (allowing a week after the report from the loss adjuster was compiled for the findings to be considered) until the date of settlement.

Both sides also seem to have accepted the recommendation NFU pay Mr R and Mrs R £400 in recognition of the distress and inconvenience experienced. I agree this is a fair way to recognise the distress and inconvenience Mr R and Mrs R experienced for the same reasons as set out by our investigator.

Putting things right

To put things right I require NFU to:

- Pay simple interest at 8% per annum on the remaining balance from 31 May 2024 until the date of settlement*.
- Pay £400 distress and inconvenience.

*If The National Farmers' Union Mutual Insurance Society Limited considers that it's required by HM Revenue & Customs to deduct income tax from any interest paid, it should tell Mr R and Mrs R how much it's taken off. If requested, The National Farmers' Union Mutual Insurance Society Limited should also provide Mr R and Mrs R with a certificate showing the amount deducted, so they can reclaim it from HM Revenue & Customs if appropriate.

The National Farmers' Union Mutual Insurance Society Limited must pay the compensation within 28 days of the date on which we tell it Mr R and Mrs R accept my final decision. If it pays later than this, it must also pay interest on the compensation from the deadline date for settlement to the payment at 8% a year simple.

My final decision

I uphold Mrs R and Mr R's complaint and order The National Farmers' Union Mutual Insurance Society Limited to do what I've set out above in the "Putting things right" section.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs R and Mr R to accept or reject my decision before 19 February 2026.

Emma Hawkins

Ombudsman