

## The complaint

Mr G is a sole trader. He complains about what the National Farmers' Union Mutual Insurance Society Limited did after he made a claim on his business interruption insurance.

## What happened

In December 2022 there was a fire at Mr G's business premises which caused significant damage to his stock and business equipment. He claimed on his policy. NFU said it thought he was significantly under insured for tools, business contents and stock and suggested steps he might take to mitigate the impact on his business. After obtaining further information from Mr G, NFU agreed an interim payment (without prejudice to liability) of £10,000 on 23 December and asked for further information from his accountants to support his claim.

On 11 January 2023 NFU said liability had been accepted but the underinsurance would impact further payments. It paid contractors £10,000 to assist with the repairs to Mr G's premises. And it sought further information to establish what costs the policy could cover (and what amounts Mr G was incurring which resulted from underinsurance rather than the fire). It authorised an increased cost of working payment of around £45,000 at the start of February to provide a temporary workshop for Mr G.

At the end of March 2023 the repairs to Mr G's premises were completed. At the start of June his loss assessor said the business was now operating as it had prior to the fire. But Mr G didn't have sufficient cash flow to pay amounts due and requested further interim payments. NFU said it wouldn't make payment until queries it had raised earlier in the year were addressed and invoices for the temporary workshop were provided. Further information was provided but NFU said this didn't evidence the value of the claim (setting aside the impact of the underinsurance). It thought the correct amount was likely to be under the amount it had already paid for business interruption so no further payments were due.

Our investigator noted NFU had issued a final response to the complaint Mr G made about underinsurance in February 2023. That complaint wasn't referred to us within the six months the final response gave for Mr G to do so. Another investigator had already said this wasn't something we could consider. He didn't think there had been any delay by NFU in making an interim payment to Mr G. And he thought NFU had correctly considered whether Mr G had shown he had a loss greater than the amount paid out. It had reasonably concluded that wasn't the case. But Mr G could provide information on that to NFU if he was able to do so. Mr G didn't agree. In summary he said:

- NFU provided unclear information at the review of his policy in 2019 which led him to believe it provided comprehensive protection in the event of a fire. It hadn't explained the difference between 'Day One Reinstatement' and purchased cost. That also contributed to the underinsurance. NFU also had a duty of care to identify he was underinsured in relation to tools and contents given the cover he had for business interruption.

- When making his claim he'd told NFU his workshop needed to be restored to its previous configuration before resuming operations. But that hadn't been properly considered and meant the workshop took longer to be restored to its correct functional state. That impacted profitability and prevented a proper recovery. And it wasn't feasible to outsource operations as NFU had suggested.
- NFU provided little useful advice or support and had been slow to respond to him. In particular it delayed the start of the claim process by three weeks. Nor had it been explained that clear up costs weren't covered by the policy which meant he had to use his own team to carry out this work. NFU then delayed in responding to proposals he made to resume business operations and by the time it did it was too late for those options to be effective.
- During the progress of the claim he'd had to carry out research and problem solving without proactive guidance from NFU which was unreasonable. All of that had directly contributed to the subsequent failure of his business.

So I need to reach a 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.

The relevant rules and industry guidelines say NFU has a responsibility to handle claims promptly and fairly. It shouldn't reject a claim unreasonably.

I appreciate this has been an extremely distressing experience for Mr G personally. He's had to close a long established and well respected business. I do recognise that will have been very upsetting and I was sorry to learn of the impact on him of that. But the question I need to consider is whether NFU did anything wrong in dealing with the claim he made (and if it did what the impact on Mr G of that was).

It does seem to me that many of the issues in this case stem from the issue of underinsurance. I understand it's accepted that existed; the question is why that was the case. In his submissions Mr G has reiterated his concerns about what he believes NFU got wrong here. However, while I understand those points that isn't an issue I'm considering in this decision.

That's because NFU issued a final response to a complaint about that in February 2023. It contained referral rights to our service and said Mr G had six months from the date of that letter to make such a referral. That issue was considered in the previous complaint Mr G brought to us and the investigator in that case concluded there wasn't evidence to show Mr G had referred those matters in time. So that isn't something I'm considering in this decision. What I can consider are other concerns Mr G has about how his claim was handled by NFU after he made it in December 2022.

I've not identified significant delay in the initial actions NFU took. Loss adjusters were appointed promptly and a site visit arranged. The issue of underinsurance was flagged from the outset and further information was requested from Mr G about losses he'd suffered. He clearly wanted matters progressed more quickly and I recognise the costs of repairs to some machinery may have increased with the passage of time. But I think it was reasonable NFU needed time to investigate these issues. And it did authorise an emergency interim payment to Mr G of £10,000 on 23 December 2022 (which was around three weeks after the fire had taken place). I don't think it's actions here were unreasonable.

The business interruption section of the policy covers *“any additional expenses which you necessarily and reasonably incur with our prior consent in order to minimise the loss of income during the indemnity period. The most we will pay for any one loss is £50,000. This is in addition to the sum insured”*. So it could in principle assist with steps Mr G took to minimise lost income.

However, while he says NFU didn't agree proposals he made to restore his business I haven't seen clear expert evidence to show any suggestions he did make were unreasonably rejected by NFU. I understand it did then suggest he outsource work which would otherwise have been carried out in fire damaged areas. Mr G didn't feel that would be feasible. NFU disagreed but nevertheless agreed to consider increased costs of working associated with providing temporary premises for Mr G. It authorised payment for that at the end of February. It also contacted Mr G's landlord and paid them £10,000 to assist with steel works required for the reconstruction of his business premises.

Mr G says the policy didn't cover clearing up damage caused by the fire. I've not seen clear evidence of NFU declining a claim for that but in any event I note it subsequently asked Mr G to evidence the amounts it did pay for increased costs of working had actually been used for that purpose. It doesn't appear Mr G has done so to date and in fact it appears only a relatively small proportion (around £2,500) of the amount paid for that was spent on costs associated with it. So I'm not persuaded a further payment would be due to Mr G in relation to this issue in any event.

I appreciate there has been significant correspondence between NFU and Mr G (and his representatives) over whether further sums were due under the policy for other business interruption losses. In relation to that the policy covers *“the loss of income occurring during the indemnity period arising from damage to property used by you at the premises arising from an insured peril during the period of insurance”*.

So it's only a loss of income directly resulting from the fire that the policy would cover. It wouldn't cover a loss caused by the fact items insured under the policy and damaged by the fire were underinsured. Those are repair costs Mr G would need to fund himself and any loss of income caused because he wasn't able to do so or because of a delay in doing so wouldn't be covered.

In my view that made the calculation of the business interruption loss caused by the fire significantly more complicated than it otherwise would have been. Given that I think it reasonable NFU needed information from Mr G and his representatives to establish what, if any, further sums were due to him. It set out what it required to Mr G and subsequently explained to his representatives what was outstanding. It also set out why it didn't think his loss assessor's approach to the calculation of settlement was correct. Having obtained further information from Mr G's loss assessor NFU explained at the end of July why it wasn't persuaded any business interruption loss directly caused by the fire would exceed the amounts that had already been paid out in relation to this.

In my view NFU has given a clear and properly reasoned rationale for why it doesn't feel further payments are due. And it doesn't appear Mr G or his representative provided any evidence in response to challenge that. Given that I don't think it was unreasonable or unfair of NFU to say further payments wouldn't be made. It remains open to Mr G to provide NFU with any new evidence he has on this point.

Mr G says NFU was unsupportive during the progress of his claim. As I've already said I do recognise this was an extremely difficult time for him when he was understandably focussed

on trying to keep his business going. However, it is a condition of his policy that the policyholder “*supply, at your own expense, details of the claim in writing including any supporting information or evidence that we require*”. I don’t think the information NFU asked Mr G to provide was unreasonable; it was required in order to decide whether his claimed losses were covered by his policy. And it explained to him why that was required. I don’t doubt this was a difficult time for Mr G but I don’t think there were significant customer service failings by NFU in dealing with his claim.

### **My final decision**

I’ve decided not to uphold this complaint. Under the rules of the Financial Ombudsman Service, I’m required to ask Mr G to accept or reject my decision before 13 March 2026.

James Park  
**Ombudsman**