

The complaint

Mr A complains about The National Farmers' Union Mutual Insurance Society Limited's handling and proposed settlement of a claim he made after subsidence damaged one of his outbuildings.

What happened

The background to this complaint is well known to both parties, so I'll provide only a very brief summary here.

Mr A has an insurance policy underwritten by NFU which covers his property and its contents, amongst other things.

He made a claim in late 2020, believing that an outbuilding had been damaged by a storm. This was declined, but Mr A later obtained a survey report which concluded that the issue was in fact subsidence.

NFU accepted the claim. However, in short, there were disagreements between the parties as to how it should be settled.

This led to Mr A making a complaint to NFU. He then brought it to us when he wasn't happy with NFU's response.

In summary, Mr A's views were as follows.

- He wanted NFU to settle the claim without applying a reduction for (alleged) underinsurance.
- He thought NFU should pay more interest on payments they'd already made (because these should have been paid sooner).
- He thought any future payments should also have interest added.
- He wanted more compensation for his trouble and upset than the £2,000 already paid by NFU.
- He felt NFU should offer a full cash settlement based on a quote he'd obtained, but with an inflationary uplift (of 12.5%) to reflect price increases in the time since the quote had been provided.
- And he wanted NFU to increase the settlement to account for the fact that the replacement outbuilding required piled foundations, to guard against future subsidence damage.

Our investigator looked into it and upheld Mr A's complaint in part. She said NFU should:

- Settle the claim without a reduction for underinsurance.

- Appoint a suitably qualified expert to review the rebuild plans and provide a report about the type of foundations needed.
- Provide a cash settlement based on that expert assessment, having re-costed the work as and where recommended by the expert.
- And maintain contact with Mr A through the rebuild – and adjust the cash settlement if and when additional or unforeseen works prove necessary.

She thought though that the compensation paid by NFU was fair and reasonable.

And she didn't believe that NFU should pay interest on the cash settlement payments, given that those payments would reflect the cost of the rebuild at the relevant time. And the inflationary uplift suggested by Mr A became redundant, for the same reason.

Mr A disagreed and asked for a final decision from an ombudsman. He maintains that NFU should pay interest given the long delays in the claim being settled.

NFU agreed to most of what our investigator suggested. But they thought any cash settlement agreed after the expert report on the foundations ought to be in full and final settlement of the claim.

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.

Underinsurance?

I'm not going to comment in any detail on the underinsurance issue. Except to say that NFU have now agreed to settle the claim in full, without any reduction for underinsurance. I think that's fair and reasonable in all the circumstances.

The nature of the rebuild (and its foundations)

In terms of the scope of the rebuild works, Mr A believes piled foundations are necessary given the location of the outbuilding and the surrounding environment. He believes this will increase the cost of the rebuild.

He has engaged with the local building inspector, who appears to agree that piled foundations might be the best (if not only viable) solution. Although they've said they'd need an engineer's report to be submitted before any approval of proposed works.

NFU believe that other solutions are possible. And they think the costs included in their current scope are in any case sufficient to allow for any of the solutions – including the piled foundations.

Given that disagreement, I agree with the solution proposed by our investigator. It makes sense now to get a report from a suitably qualified and independent expert.

NFU should commission that expert report. And it should cover the type(s) of foundations necessary for the rebuild, given the location - and given the fact that the trees which were the likely cause of the original subsidence can't be removed.

The expert should be briefed to bear in mind that any proposed solution will need to satisfy

local building control requirements. And that the replacement building should provide a lasting and effective solution. The expert should also be asked to cost their proposed solution(s) – at current market rates, available to Mr A.

It goes without saying that the independent expert should be suitably qualified, experienced in dealing with subsidence issues, and able to comment with authority on the foundations required in different circumstances (where soil types differ and the extent of nearby vegetation differs, for example).

Unforeseen or unexpected costs during the rebuild

NFU believe that once a settlement figure has been calculated – on the basis of the expert's findings and at current prices – the payment they make should be in full and final settlement of the claim.

Mr A disagrees. He thinks the rebuild works will be complex. And he believes there may be unknown factors - about the ground conditions, for example – which will not be apparent until the work is underway.

In my view, Mr A has a policy which is intended to indemnify him – to put him back in the position he was in before the insured damage occurred. And in essence, it's NFU's obligation to fulfil that contract.

So, if something genuinely comes up during the rebuild which was not foreseen - and which is absolutely necessary to Mr A being properly indemnified with a lasting and effective outbuilding – I would expect NFU to consider an additional payment to Mr A.

I should stress that, given the independent expert report to be commissioned, it is on balance very unlikely that there will be any unforeseen costs. And if Mr A does ask NFU to pay more, he'll need to demonstrate that the additional work is absolutely *necessary* in order to bring about a lasting and effective rebuild.

Interest, inflation and compensation

I'll comment on the interest and inflationary uplift issues – and on the compensation NFU have paid to Mr A - in the section below.

Putting things right

I understand NFU have already paid the £2,000 they offered in compensation for Mr A's trouble and upset (if not, they should pay it now).

I agree with our investigator that's a fair and reasonable amount of compensation in this case. The claim has been on-going for a very long time and there have been poor communications at times (which NFU have admitted).

But I also bear in mind that Mr A lost use of an outbuilding, used for storage, for that period of time. And whilst that was no doubt inconvenient, it's not the case that Mr A's living arrangements were in any way affected.

I also agree that NFU need not add interest to the cash settlement they eventually make to settle this claim. Mr A has not had the repairs completed and hasn't paid for them, so he's not been out of pocket and/or deprived of money he'd otherwise have had.

And I note the cash settlement will be paid – when it is paid – at current prices. Which also

obviates the need for any inflationary uplift of the previous cash settlement offer and/or the previously quoted cost for the repairs.

For the reasons I've set out above though, I agree with our investigator about the next steps for NFU with this claim. And I'll set out in detail in the section below what I've decided NFU need to do now.

My final decision

For the reasons set out above, I uphold Mr A's complaint in part.

The National Farmers' Union Mutual Insurance Society Limited must now:

- settle the claim without any reduction for underinsurance;
- pay Mr A £2,000 in compensation for his trouble and upset, if they have not already done so;
- commission a suitably qualified independent expert to report on the foundations necessary for the rebuilt outbuilding;
- set out a new scope of works and costings based on that expert report's findings;
- pay a cash settlement to Mr A on that basis; and
- consider any additional unforeseen – and necessary – costs incurred by Mr A during the rebuild.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr A to accept or reject my decision before 11 March 2026.

Neil Marshall
Ombudsman