

## The complaint

Mr G, a sole trader, complains about what The National Farmers' Union Mutual Insurance Society Limited (NFU) did after he made a claim on the legal expenses section of his farm select insurance policy.

## What happened

In May 2023 Mr G sought assistance from his policy with a contractual dispute. NFU accepted the claim and agreed this could be progressed by Mr G's own solicitors. Matters progressed and in April 2025 the solicitors told NFU the case had been resolved and there would be no claim on the policy. Mr G said he'd had to pay solicitors costs from his settlement and thought these should be covered by his policy.

NFU engaged in correspondence with Mr G's solicitors and concluded the settlement of the claim represented a global offer which was inclusive of costs. It didn't agree any amounts were due to Mr G under the terms of his policy. However, it accepted there had been some delay in responding to this correspondence for which it agreed to pay him £150.

Our investigator thought it was reasonable of NFU to conclude based on the evidence from Mr G's solicitors (and a court order) that the settlement was inclusive of costs. And Mr G's solicitors had confirmed the remaining amount represented a fair settlement of his claim. As there were no unrecovered legal costs there was nothing for the policy to cover. He thought the £150 NFU had already offered for customer service failings was appropriate.

Mr G didn't agree. He said the settlement was made on a no order as to costs basis. That meant each party would bear their own legal costs and there was no recovery from the opposing party. So his settlement didn't include those amounts and there were costs here which his policy should cover. The policy didn't say they would be excluded where no order as to costs was made and this was the situation insurance existed to cover. And he said we hadn't considered the prolonged duration and stress of the litigation and NFU's overall handling of the claim.

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.

Mr G's policy says it will pay "*costs and expenses relating to a contractual dispute arising from an agreement or an alleged agreement which has been entered into by you or on your behalf for the purchase, hire, sale or provision of goods, services or the lease, licence or tenancy of land or buildings*". And the policy definition of costs and expenses includes "*all*

*reasonable and necessary costs chargeable by the Representative and agreed by [claims handler] in accordance with the [claims handler] Standard Terms of Appointment”.*

So if settlement of this claim was made on the basis that each side would bear their own costs there would be a liability here that, subject to other terms, the policy could cover. But if that settlement already included provision for the costs Mr G’s solicitors incurred there would be no loss to him and so nothing for the policy to cover. The question is therefore whether NFU acted fairly in deciding the settlement of the claim did include those costs.

I appreciate when Mr G’s counsel emailed him setting out settlement terms he did say there would be “*no Order as to costs*”. I understand why that would have led Mr G to believe each side would therefore bear their own costs. But that position isn’t supported by the other evidence. The court order in which the judge ordered that the proceedings be stayed said the defendant would pay Mr G’s costs (including counsel’s fees). And that position is supported by what Mr G’s solicitors told NFU when it sought clarification of the basis on which the settlement had been reached.

In particular in April 2025 his solicitors said “*we refer to earlier correspondence and are happy to confirm that this case has been resolved and that there will be no claim in relation to the Policy*”. The following month they said “*our client’s claim against [third party] was settled on the following essential terms. [Third party] agreed not to pursue their counterclaim against our clients. [Third party] paid £117,5000 inclusive of costs to the plaintiff [Mr G]*”. And in a number of different calls with NFU the solicitors providing a breakdown of the settlement and said the total figure of £117,000 comprised around £75,000 in costs and compensation of around £41,600 for Mr G (in addition to the third party writing off a debt they said Mr G owed them).

Mr G disputes the content of the phone calls between his solicitors and NFU. But I don’t think that’s material to the outcome. It’s clear from the emails the solicitors sent that, in their professional opinion, this was a global settlement which included provision for Mr G’s legal costs as well as compensation for him. That’s also supported by the court order. Given that, and taking all of the evidence in the round, I don’t think it was unreasonable of NFU to conclude there wasn’t an outstanding liability here it needed to cover.

I agree there were some delay by NFU in responding to correspondence from Mr G. But I think the £150 it’s already agreed to pay does enough to recognise the inconvenience that caused him. And while Mr G has suggested we should consider NFU’s overall handling of his claim that isn’t something covered in the final responses it’s issued to date and I’m not aware he’s specifically raised this issue with it. I think NFU would need an opportunity to consider that before we could do so. In any event it isn’t something which forms part of the complaint I’m considering in this decision.

### **My final decision**

The National Farmers' Union Mutual Insurance Society Limited has already made an offer to pay £150 to settle this complaint and I think this offer is fair in all the circumstances. So my decision is that NFU should pay Mr G £150.

Under the rules of the Financial Ombudsman Service, I’m required to ask Mr G to accept or reject my decision before 9 April 2025.

James Park

**Ombudsman**