

complaint

C, a commercial business, is represented by Mr L and others (I will refer to them as Mr L for simplicity). Mr L complained because The National Farmers' Union Mutual Insurance Society Limited ("NFU") reduced the settlement on C's insurance claim.

background

C has been insured by NFU for a number of years. The policy has never been reviewed and it was simply renewed every year. The amount the building was insured for changed each year in line with inflation.

NFU sent C the renewal documents about three weeks before the policy was due to renew. Mr L says that he tried to contact NFU prior to the renewal to get advice on the sum insured and to increase it but no-one got back to him. NFU on the other hand say it had various conversations with Mr L but only concerning whether the premium could be reduced.

On the renewal date Mr L phoned NFU again. He spoke with NFU agent and discussed many aspects about his insurance cover – including how much C was insured for. An appointment was made for a few days later for NFU's agent to come and see Mr L and discuss/review the insurance arrangements further.

The appointment didn't take place because in between times there was a fire which caused major damage to the building.

A claim was made under C's policy for the damage. During its investigations NFU discovered that C was significantly underinsured. NFU therefore relied on a term in the policy which allowed it to reduce the amount paid to C/Mr L. Mr L accepts that C was underinsured and that it was his responsibility to ensure that C was insured for the correct amount. However, he feels this wouldn't have been a problem if there hadn't been a delay in the renewal documents being sent out or if someone had returned his phone calls.

Our adjudicator thought that the complaint shouldn't be upheld. She was not persuaded that Mr L had any discussion with NFU about increasing the amount C was insured for. She also didn't think NFU had done anything wrong in its dealings with Mr L prior to the policy renewing.

Mr L disagreed with our adjudicator. He said he intended to amend the policy but NFU didn't allow him to because it delayed sending the renewal and it didn't assist him when he phoned.

my findings

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

The main issue for me to look at is the problems Mr L says he encountered due to NFU's handling of his renewal. Mr L is aware that it was his responsibility to ensure that the insurance was at the correct level. His argument is essentially that he has shown that he intended to increase the amount C was insured for, but that he wasn't able to because of NFU's poor customer service/incompetence.

The first point Mr L made was in respect of the date the renewal documents were sent to him. I think it might have been helpful if NFU had sent them earlier than they did. But, there was no requirement for them to be sent any earlier and I don't think they were sent unreasonably late.

There were several conversations between Mr L and NFU before the policy renewed. The calls between Mr L and NFU's local office weren't recorded so I haven't been able to listen to them to hear precisely what was discussed. I've therefore had to base my conclusions on what I think most likely happened given what Mr L and NFU have since said.

Overall, although Mr L has said that he had a list of concerns that he wanted to discuss, I think it's most likely that his main concern was the 20% increase in the price. I don't think any discussion took place about any concern over the sums insured. If Mr L had told NFU that he wished to increase the sums insured, NFU could have made the adjustments there and then for the contents and stock; and it could have advised Mr L about what was needed for the buildings. Because no such arrangements were made or advice given, I think it's most likely that Mr L didn't raise the issue of the sums insured during the phone calls.

There was a further phone conversation with NFU's local agent on the day the policy renewed. I don't have a recording of this conversation either, but NFU's agent says that:

- she ran through the sums insured in the policy and asked Mr L if they were correct but he said they were just a load of figures to him
- whilst going through the sums insured Mr L might have said that some weren't correct but she didn't recall him saying this in relation to any specific figure
- Mr L didn't say whether the sums were too low or too high and that when she asked what the figures should be he didn't know.

This is supported by what Mr L has said:

- the agent went through the sums insured but the buildings figure wouldn't have jumped out at him as he wouldn't know whether it was adequate or not
- he wouldn't know how much it would cost to rebuild the building
- he told the agent that some of the figures weren't adequate, hence the planned meeting
- he had a 94 page document (which I presume was the policy documentation) full of "gobbledegook".

This conversation is different from the ones that took place before the policy renewed because there is clear evidence that the sums insured were discussed. However, whilst Mr L might have been aware that they were too low, albeit that he didn't know what they should be, I haven't seen anything which suggests that he intended to increase them or that he told NFU this. In the circumstances, I don't think the agent's suggestion of a meeting to go over the figures in more detail was unreasonable.

The bottom line here is that the sums insured were what they were when the policy renewed. It's not in dispute that based on those figures C was underinsured. It's also not in dispute that in those circumstances NFU was entitled to reduce the claim settlement.

I don't think Mr L has adequately shown that he intended to increase the sums insured. I also haven't seen anything which persuades me that he told or indicated to NFU that he wanted to increase the sums insured. But even if he had, it would remain that he didn't do

so. I don't think based on what I've seen that NFU did anything wrong before or at the renewal of the policy that led to the policy renewing with the existing sums insured.

Mr L has made various other points – such as the delay in NFU issuing its final response to the complaint; that letter containing inaccuracies, him questioning NFU's telephone notes, no-one having been in contact since the policy started in 2002 to discuss it. I've taken all of these into account in my review of the complaint but I don't think they make a difference to the fundamental points I have outlined above or to the outcome.

I realise that the fire has had a devastating effect on Mr L and his family. But I'm afraid I don't think there are grounds to uphold his complaint because I don't think any unfair or unreasonable actions by NFU led to the reduced claim settlement.

my final decision

I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr L and all the other representatives to accept or reject my decision before 5 February 2016.

Paul Daniel
ombudsman