

The complaint

Mrs S complains about how The National Farmers' Union Mutual Insurance Society Limited T/A NFU Mutual dealt with and settled a claim under her home insurance policy following an escape of water.

What happened

Mrs S held a home insurance policy with NFU Mutual (NFU). She stated that on around 16 August 2021 she discovered damage had been caused to her property as a result of an escape of water. Mrs S said her bathroom, which had fully tiled walls and flooring, was affected by the leak.

On discovering water damage, Mrs S instructed a plumber to attend her property, which I'll refer to here as "S". S thought there was a leak on the cylinder and arranged for it to be replaced. But, on removing the cylinder, S discovered there was a further leak within the ducting in the bathroom. It wasn't able to determine the location of the leak. So, it advised Mrs S to contact her insurer.

When Mrs S contacted NFU to notify the claim it appointed a loss adjuster, which I'll call "C" in this decision, to inspect the damage sustained and ascertain the cause of the escape of water. An inspection of Mrs S' property was arranged and undertaken by C on 19 August 2021. When C visited Mrs S' property it took photographs and, afterwards, it produced a written report.

C informed NFU that the damage appeared to be confined to the shower room and cylinder cupboard on the first floor of Mrs S' property. It thought the escape of water was likely to have come from a mains water pipe within the ducting in the shower room. But it recommended lifting the tiled floor to determine the precise location of the leak.

Following further investigation, it was discovered that the escape of water had been caused by a leaking soil pipe connected to the shower room within Mrs S' neighbour's adjoining property. A schedule of work was composed and tenders on cost were invited. However, NFU said it wasn't possible to fully cost the extent of the damage until strip out works had commenced. So, over £8000 was allocated to the scope of works for contingencies and any changes to the provisional costings.

In March 2022, concerns were raised about the extent of the tiling that NFU was intending to cover under the claim. C had explained that the damaged area was the floor and tiling at the lower wall level. So, it was decided that tiles up to 1 meter in height would be covered fully, which was up to the height of a tiled border that separated lighter upper wall tiles from darker lower wall tiles.

NFU also offered to contribute 50% towards the cost of replacing tiles above a height of 1 meter. It said these wall tiles hadn't sustained damage as a result of the escape of water.

Mrs S complained that NFU's offer to resolve her claim was unfair. She said all the tiles had had to be removed to investigate and remedy the damage as was required by the surveyor.

And she stated that several investigative holes had been created – one of which was just under a metre from the ceiling around the shower control panel. She thought NFU should have covered the cost of retiling the entire bathroom.

When NFU investigated Mrs S' concerns it didn't uphold her complaint. In its final response letter, dated 20 July 2022, NFU stated that it had replaced all damaged wall and floor tiles. And it said that, in offering a 50% contribution towards the cost of replacing undamaged tiles, it had acted beyond the policy terms in Mrs S' favour. So, it didn't think it had acted unfairly in the offer it had made to settle this claim.

As Mrs S wasn't happy with how NFU had dealt with her claim or complaint she complained to our service. Our investigator looked into what had happened but didn't recommend upholding Mrs S' complaint. They thought the offer made for the tiling was correct and they were persuaded that NFU had acted fairly. So, they didn't think it needed to take any further action in resolving the complaint. But Mrs S disagreed with our investigator's view and asked for this complaint to be referred to an ombudsman.

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.

Where the information I've got is incomplete, unclear or contradictory (as some of it is here) I must base my decision on the balance of probabilities.

I'm aware that I've summarised the events of the complaint in rather less detail than they've been presented. I don't intend any discourtesy by this. It's a reflection of the informal service we provide. If I haven't mentioned something, it isn't because I've ignored it. It'll be because I didn't think it was material to the outcome of the complaint. This approach is consistent with what our enabling legislation requires of me. It allows me to focus on the issues on which I consider a fair outcome will turn and not be side-tracked by matters which, although presented as material, are, in my opinion, peripheral.

Mrs S has confirmed with our investigator that the disputed issue in relation to this complaint relates to NFU's decision not to cover the cost of replacing all bathroom wall tiles. So, I'll focus on, and limit my findings to, whether NFU acted fairly and reasonably regarding the offer it made to settle a claim in respect of the tiling.

When our service investigates a complaint about whether an insurer has handled a claim fairly, our service must consider the applicable policy terms and conditions. And we assess whether the insurer has applied those terms and conditions fairly and reasonably in the way it's dealt with a claim. We don't have the power to direct an insurer to settle a claim in favour of a policyholder if that would involve something that didn't form part of the insurance contract when the policy was inceptioned.

In carefully considering the terms of Mrs S' policy, I can see it doesn't offer cover for any undamaged items. I say this because the policy doesn't include a "*matching sets*" clause. It's likely that Mrs S didn't request this type of cover when she inceptioned her policy with NFU – it typically isn't part of a standard home insurance policy and usually attracts an additional premium.

In line with the policy terms that apply to the policy Mrs S purchased, NFU isn't obliged to replace anything that isn't damaged which is part of a matching set. And, as I've already mentioned, we can't tell NFU to do something that would stray beyond the policy terms.

In thinking about whether the tiling offer was fair, and in accordance with the policy terms, I've also considered the photographs and written report C produced following its inspection of Mrs S' property, which NFU relied on in handling and settling this claim. Our service thinks it's right for an insurer to instruct a loss adjuster with expertise to inspect a customer's property to assist it in determining the cause of damage. Here NFU appointed C to do that and I can't fairly find it acted unfairly in doing so.

C's report confirms that Mrs S' bathroom had a fully tiled finish to its floor and walls. The photographs C took of the bathroom during its inspection show that there are 3 different colours of tiles on the wall. The upper and lower level of the tiled wall is separated by a tiled border at just above sink height. From photographs the upper wall tiles seem to start a meter up from the floor level. The upper wall tiles are a much lighter colour (cream) when compared to the tiles used on the lower part of the wall, which are a terracotta colour.

Mrs S has argued that C required the removal of all wall tiles. But its report doesn't mention this. I think that would have been made clear in its report had it been C's view – particularly as this would have had significant cost implications and affected the cost authority that NFU would need to provide those undertaking work on its behalf.

C's report confirms that the escape of water caused damage to the floor and walls. But it doesn't state that all the wall tiles sustained damage. There's no available imaging that demonstrates that the upper wall tiles were damaged as a result of the escape of water. And NFU is firm in its view that the damaged area was confined to the floor tiles and a small number of tiles at the lower wall level.

In the absence of photographs showing damage to the tiling of the upper wall, it's difficult to understand how this area sustained damage from the escape of water to the extent that full retiling was required. And, as the upper wall tiles were a different colour to those below the tiled border, there's a natural break between both colours. So, in the overall circumstances, I can't fairly conclude there's evidence showing that all wall tiles needed to be replaced.

NFU replaced all damaged floor tiles and all wall tiles below 1 meter in height. It explained that where an escape of water involves floor level water damage, the general industry recommendation is to remove building material up to a height of between 0.5-1 meter above the location of the leak – here at floor level.

In replacing all wall tiles within the upper limit of what's considered to be recognised industry practice with an escape of water claim like this, I think the approach taken by NFU was reasonable and fair. I'm persuaded it discharged its duty under Mrs S' policy to fully cover the cost of the damaged floor and lower wall tiles.

In relation to the undamaged tiles, these comprised approximately 50% of the total wall tiled area. As explained, they were a different colour to the lower wall tiles. In considering claims for undamaged items, our service would usually take the view that a consumer should be paid 50% of the cost of replacing any undamaged items where they are part of a set in order to reflect that a consumer has suffered a *"loss of match"*. We wouldn't be persuaded there was a loss of match where undamaged wall tiles were different in colour to damaged wall tiles.

Here, NFU offered to pay 50% towards the cost of supplying and installing tiles above 1 meter in height. It explained that, while there was no cover under the policy for undamaged tiles, it had adopted a cautious approach based on previous decisions from our service where we'd told insurers to pay a 50% contribution for undamaged matching tiles. And it said it wanted to ensure its settlement offer was in line with previous FOS decisions regarding claims involving undamaged matching tiles.

As I've already explained, Mrs S' policy with NFU doesn't include cover for matching sets. Had NFU not offered to contribute towards the cost of replacing the undamaged tiles, I wouldn't have directed it to do so as part of this decision. This is because the policy terms don't require it to and, as I've already outlined, I'm not persuaded the upper wall tiles sustained water damage or matched the lower wall tiles. I'm therefore not going to direct NFU to change the offer it made here.

I appreciate that Mrs S will be disappointed with my decision. I can see it's been stressful for her and I'm sure she thought the claim was going to be resolved with minimal fuss. But, based on the available evidence, I'm satisfied NFU acted fairly and reasonably in how it dealt with this claim – it agreed to fully cover the cost of replacing damaged tiles and, in offering to contribute towards the cost of replacing undamaged tiles, departed from the policy terms in Mrs S' favour.

I'm not persuaded there are any grounds for me to fairly and reasonably require NFU to change its original settlement offer made to Mrs S. So, I'm not upholding this complaint or directing NFU to take any further action to resolve the claim.

My final decision

My final decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs S to accept or reject my decision before 4 October 2023.

Julie Mitchell
Ombudsman