

The complaint

Mrs C complains about the price charged by The National Farmers Union Mutual Insurance Society Limited ("NFU") for her buildings insurance policy. She also complains about them removing her No Claims Discount.

What happened

Mrs C held buildings and contents cover with NFU. She sold her house but, because the house she was purchasing fell through, she moved into a rented property. Mrs C then allowed the buildings cover to lapse and continued with the contents cover for her rented property. Mrs C then bought a new home and reinstated her buildings cover but she wasn't happy about the price charged by NFU as she says the property size was the same. She also says it was unreasonable for NFU to remove her No Claims Discount ("NCD") for her buildings insurance.

NFU responded and explained they understand, for a brief period, Mrs C had to move into a rented property, while she was looking for a new home. They said buildings cover was removed from Mrs C's policy on 1 February 2023 and reinstated on 13 June. They said the NCD on a home insurance policy doesn't work in the same way as it does with motor insurance and can't be carried over once the cover is removed. NFU explained, if there's a gap in cover and a customer isn't transferring the buildings cover directly from one property to another, the built up NCD is lost.

Mrs C cancelled her buildings insurance after around two months. During our investigation, NFU accepted the NCD should've been applied at the point Mrs C took out buildings cover for her new home. NFU explained, given the policy had been cancelled, they were prepared to reinstate the policy, apply the NCD to the buildings cover from 13 June, and then re-cancel the policy.

After considering all of the evidence, I issued a provisional decision on this complaint to Mrs C and NFU on 28 November 2023. In my provisional decision I said as follows:

"The role of this service when looking at complaints about insurance pricing isn't to tell a business what they should charge or to determine a price for the insurance they offer. This is a commercial judgement and for them to decide. But we can look to see whether we agree a consumer has been treated fairly – so is there anything which demonstrates they've been treated differently or less favourably. If we think someone has been treated unfairly, we can set out what we think is right to address this unfairness.

I understand Mrs C is concerned her premium was higher when she decided to reinstate her buildings cover. NFU have provided me with confidential business sensitive information to explain how Mrs C's price increase was calculated. I'm afraid I can't share this with her because it's commercially sensitive, but I've checked it carefully. The first point I would make is that the information shows there are differences between Mrs C's previous property and new property. I've also looked at the rating factors and loadings applied, and this shows specific rating factors where the loadings for Mrs C's new property are higher when compared to the loadings

applied to her previous property. So, while I acknowledge Mrs C's concern about the two properties being the same size, this doesn't mean the price for the policy should be the same. The price is determined by rating factors and loadings - and the differences between the two properties, such as age and style of the property, have had an impact on the price of the policy. I've seen how these factors, as well as others, have affected the loadings, so I can't say NFU have made an error in applying the rating factors and loadings they have to calculate the price.

Mrs C may feel this is unfair, but it's for a business to decide what risks they're prepared to cover and how much weight to attach to those risks. We do however expect businesses to treat customers fairly, and in this case, NFU increased Mrs C's premium in keeping with the changes made to their risk ratings and underwriting guidelines. It's a change which has applied to all customers in the same circumstances, so, I can't say NFU have treated Mrs C unfairly.

That said, I do think NFU have made an error in calculating the price for Mrs C's policy. I can see buildings cover was removed from the policy in February as Mrs C no longer had an insurable interest in her previous property and hadn't at this point bought a new property. There's no dispute Mrs C had 'four years or more' NCD at the time she cancelled her buildings cover. When this was reinstated in June for Mrs C's new property, the Statement of Insurance shows the NCD as 'None'. NFU accept when buildings cover was added for the new property, they should've applied the NCD from the previous property. While they've agreed to take steps to reinstate the policy to reapply the NCD, this means the price they charged Mrs C wasn't correctly calculated.

I asked NFU to provide a recalculation of the premium showing what the price should've been had the NCD been applied at the point Mrs C added buildings cover for her new property. The calculation shows the price should've been £182.58 less had NFU applied the NCD. Given Mrs C had paid two instalments at the point of cancellation, this means she overpaid the amount of £30.43. So, NFU should reimburse this to Mrs C. Given that Mrs C shouldn't have been charged this additional amount and has therefore been without this sum, NFU should also pay 8% simple interest per year on this amount.

I think it's fair and reasonable in the circumstances for NFU to also pay Mrs C compensation for the upset and frustration caused. It's clear Mrs C was raising queries about why the NCD hadn't been applied but NFU missed an opportunity to put things right and still maintained in their complaint response that the built up NCD had been lost and couldn't be transferred over to Mrs C's new property. So I think the upset and frustration to Mrs C was avoidable here had NFU realised their error at this point and taken steps to recalculate the price correctly by applying the NCD. There was also inconvenience caused to Mrs C in having to cancel her policy and take out a policy with another insurer – and the information shows her decision to do this was driven by the price charged by NFU. So, taking this all into account, I think compensation of £150 is fair and reasonable in the circumstances.”

So, subject to any further comments from Mrs C or NFU, my provisional decision was that I was minded to uphold this complaint and require NFU to reimburse Mrs C the overpayment made and pay compensation.

Following my provisional decision, both parties have responded and accept my 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.

Having done so, and with both parties accepting my decision, I see no reason to depart from my provisional decision. So, I've decided to uphold the complaint for the reasons set out in my provisional decision and copied above.

Putting things right

I've taken the view that NFU have made an error in calculating a price for Mrs C's policy. So, to ensure the information is correctly recorded, they should reinstate the policy on their system, apply the correct NCD to the buildings cover from 13 June, and then re-cancel the policy. NFU should reimburse Mrs C the £30.43 overpaid by her together with 8% simple interest per year from the date the instalments were paid to the date of settlement. NFU should provide Mrs C with a certificate showing any taxation deducted. NFU should also pay Mrs C £150 compensation for the upset, frustration and inconvenience caused.

My final decision

My final decision is that I uphold the complaint. The National Farmers Union Mutual Insurance Society Limited must take the steps in accordance with what I've said under "Putting things right" above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs C to accept or reject my decision before 3 January 2024.

Paviter Dhaddy
Ombudsman