

The complaint

Miss I has complained that The National Farmers' Union Mutual Insurance Society Limited (NFU) unfairly refused to settle in full a claim under her home insurance policy.

What happened

In April 2020 Miss I took out a Home and Leisure policy with NFU. She ran a beauty therapy business from a treatment room in her home.

In October 2022 Miss I made a claim to NFU after towels caught fire in the treatment room and caused considerable damage. NFU's forensic expert reported that the towels had been impregnated with oils from Miss I's business and spontaneously combusted. NFU said her business wasn't covered by the Home and Leisure policy but there was cover for up to £15,000 of business-related contents and equipment.

Miss I said when she had first taken out the policy, she'd specifically stated that she wanted her business to be covered. NFU said she'd been sent quotes for the Home and Leisure policy and for a separate business policy but she'd only accepted the quote for the former.

Miss I referred her complaint to this service. Our Investigator didn't think NFU had treated her unfairly as she hadn't accepted the quote for the business policy.

As Miss I didn't agree, the matter has been referred to me.

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 first question for me to consider is the cover provided by Miss I's Home and Leisure policy. The policy said it met the needs of people who wanted (amongst other things) cover for their domestic buildings. "*Domestic*" is defined in the policy as follows:

"Relating to the private activities of YOU or YOUR FAMILY. WE do not cover any business or profession, including growing agricultural or horticultural produce, or rearing livestock for profit."

The property was described as a four-bedroom detached house used "*only as Home/Private Use*".

So I think it's clear the policy didn't cover business use.

Miss I has raised the issue that she actually has a five-bedroom house as the treatment room is still used as a bedroom. So she thinks it should be covered by her Home and Leisure policy. But since the source of the fire in that room appears to have been caused by the business use, I think it was fair for NFU to say that the damage was caused by her business activity and that business activity wasn't covered by her policy.

Miss I also says she discussed with NFU in depth on the day before she first took out the Home and Leisure policy the fact that she needed cover for her business. She says she was assured that she would be covered for her home and business under the Home and Leisure policy. Unfortunately, a recording of that call is not available as the call handler had only recently started working from home during the first lockdown. I accept this explanation.

As the evidence about what was said during that call is contradictory, I need to make my decision on the balance of probabilities. That is, what I think is more likely, based on the available evidence.

NFU provided Miss I with quotes for two different policies, one for her home and another for her business. On balance I find it more likely that NFU would have explained to Miss I that her business wouldn't be covered by the Home and Leisure policy as she might otherwise have wondered why she needed two quotes.

I accept that Miss I erroneously believed that she was covered for business use but I'm not convinced that was due to any failing on the part of NFU. As NFU didn't recommend the policy to Miss I, it was under no obligation to ensure the policy she took out met her demands and needs.

I understand Miss I's disappointment that she wasn't covered in full following what I'm sure was a very upsetting fire that caused a lot of damage. However, for the reasons given above, I'm satisfied that NFU's decision not to settle the claim in full was fair and reasonable in the circumstances.

My final decision

For the reasons given above I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss I to accept or reject my decision before 8 February 2024.

Elizabeth Grant
Ombudsman