

The complaint

Mr H complains about The National Farmers' Union Mutual Insurance Society Limited ("NFU") and the way they settled the claim he made on his motor insurance policy.

What happened

Mr H held a motor insurance policy, underwritten by NFU. Unfortunately, in November 2022, Mr H's car was stolen and unable to be recovered. So, he contacted NFU to make a claim on his policy.

NFU accepted Mr H's claim. And, as Mr H's car was less than two years old and he'd owned it from new, he was eligible to claim under the "*New Car Replacement (NCR)*" aspect of the policy. NFU passed Mr H's claim over to a separate company, who I'll refer to as "V", who were instructed to process claims of this nature. But V returned to NFU, explaining the model and specification of Mr H's car had been discontinued and so, was unable to be ordered. Because of this, they didn't think it was possible for a new car to be provided to Mr H.

So, NFU instead offered to pay Mr H the purchase price of his stolen car. And they included the monetary incentives available to Mr H at the time of purchase, resulting in a total settlement of £89,444 less the applicable policy excess. But Mr H was unhappy about this, so he raised a complaint.

Mr H was unhappy that NFU were refusing to arrange for a new car replacement. Mr H explained that, due to inflation, car prices had increased since he purchased the stolen car and because of this, he didn't think NFU's settlement based on this price placed him back in a fair position. And he felt he'd provided reasonable alternatives of a similar model and specification, on the advice of the manufacturer. Mr H explained he'd found models that were available to be purchased straight away that were not subject to the lead time of 1 – 2 years. So, Mr H wanted NFU to arrange this replacement.

NFU responded to the complaint and upheld it in part. They thought they had acted fairly, and in line with the terms and conditions of the policy, when offering to settle the claim by paying Mr H the purchase price of the car, plus any incentives he received at the time. They explained the NCR scheme included within the policy was only applicable where the same model, make and specification could be sourced. And they didn't think it was on this occasion. But NFU did accept they could've arrived at this decision sooner and that they could've been more proactive in communicating with Mr H. So, they paid Mr H £200 to recognise any upset and inconvenience this caused. Mr H remained unhappy with this response, so he referred his complaint to us.

Our investigator looked into the complaint and didn't uphold it. They focused on Mr H's main area of dispute, which centres around the way the claim was settled. And they thought NFU had acted fairly, and in line with the terms and conditions of the policy, when offering to settle the claim based on the purchase price as they were satisfied a replacement of the same make, model and specification wasn't available. So, they didn't think NFU needed to do anything more.

Mr H didn't agree. He maintained his view that the way NFU had offered to settle the claim left him without the funds to purchase a like for like replacement, due to the impact inflation had on car prices. And he expressed his belief that the terms and conditions of the policy were unclear and ambiguous, so he didn't think it was fair to rely on the wording of these. Mr H also referred to wording he'd found setting out our services approach to undervalue of settlement claims, which he felt were appropriate in his situation. As Mr H didn't agree, the complaint has been passed to me for a 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, I'm not upholding the complaint for broadly the same reasons as the investigator. I've focused my comments on what I think is relevant. If I haven't commented on any specific point, it's because I don't believe it's affected what I think is the right outcome.

First, I want to recognise the impact this complaint has had on Mr H. I recognise his car was stolen through no fault of his own and I appreciate the upset and inconvenience this would no doubt have caused. I also recognise Mr H took out the insurance policy with NFU to assist him both practically and financially in situations such as the one he found himself in. So, when Mr H felt he was left financially disadvantaged by the way NFU offered to settle the claim, I can understand why he'd feel unfairly treated and wish to raise a complaint.

But for me to say NFU should do something more, such as arrange for a new car replacement on Mr H's behalf or to pay him an additional amount to settle the claim, I first need to be satisfied they've done something wrong. So, I'd need to be satisfied they failed to act in line with the terms and conditions of the policy when offering to settle the claim as they did. Or, if I think NFU did act within these, I'd need to be satisfied NFU acted unfairly in some other way. And in this situation, I don't think that's the case.

It's not disputed by either Mr H or NFU that, due to the age of Mr H's car and the fact it was stolen and not recovered, he qualified for the NCR element of the insurance policy he held. I've seen the policy terms and conditions, which explain that, where a claim qualifies, NFU *"will replace your car with a new car of the same make, model and specification (subject to availability in the UK) or pay you the purchase price of your car"*. I think this makes it reasonably clear that under the NCR section of the policy, NFU can replace the car or pay the purchase price. And as NFU have offered to pay the purchase price, plus an additional amount to recognise the incentives Mr H made use of at the time of purchase, I'm satisfied they acted in line with the terms of the policy when making this offer. And because of this, I can't say they did anything wrong when doing so.

But as I've explained above, I've also thought about whether NFU have acted fairly. And I acknowledge Mr H doesn't think they have, as he feels NFU were able to reasonably replace his car with a similar alternative and, as the NCR section is titled as *"New Car Replacement"*, a replacement is what he should fairly receive.

While I do recognise Mr H's point of view, and I don't doubt he expected to receive a replacement car, I don't think this means NFU have acted unfairly here. I've seen V, acting on behalf of NFU when looking to replace Mr H's car, confirmed that the exact make, model and specification of Mr H's car was no longer available. And on top of this, any lead time for a new order with the manufacturer was at around 1-2 years.

And while I appreciate Mr H feels, on the advice of third-party advice, there are cars of the

same make but differing models and specifications that are a reasonable alternative, I don't think this means NFU should've looked to replace Mr H's car with one of these. The terms and conditions clearly explain that, under the terms of the policy, NFU would look to replace Mr H's car with a new car of the same make, model, and specification. And emphasis must be placed on the word same. The terms do not state a car similar, or a reasonable alternative. So, I would only expect NFU to replace Mr H's car if the same make, model and specification was available. And neither party dispute that the car was no longer available at the time the claim was made.

The terms also explain that this replacement option would be subject to the availability of the car in the UK. And again, it's not in dispute that it wasn't at the time of the claim. So, as an exact replacement wasn't available, I think NFU were fair to turn to the alternative option available to them under the NCR section of the policy.

And when calculating the purchase price, I think NFU have acted more than fairly by considering the discounts and incentives available to Mr H at the time of purchase, to ensure he was placed back in the same financial position he was in, before he purchased his original, insured car. And because of this, I don't think NFU need to do anything more on this occasion.

I understand this isn't the outcome Mr H was hoping for. And I recognise Mr H will feel as though he remains disadvantaged, due to an increase in car prices caused by inflation and other external factors. While this isn't the fault of Mr H, neither is this the fault of NFU. The policy NFU provides is intended to place Mr H back in the same position he was in before his car was stolen. In this situation, as a replacement couldn't be sourced, I think NFU were fair to ensure Mr H has access to the same funds he had when he purchased the stolen car, less any applicable excess for making a claim on the policy. Were NFU to pay Mr H more than this amount, I think they would be placing him in a position of betterment, and this isn't something I'd expect them to do.

And while Mr H has referred to the increasing price of used cars, and the real time valuation of his car at the time it was stolen, I note at the time of the theft his car had done around 32,000 miles. Because of this, and general depreciation, I've seen the engineers report for the total loss which stated Mr H's car was valued at around £66,000. So, I think NFU have acted fairly when ensuring Mr H's claim was processed through the NCR section and that this was in Mr H's best interests to do so, as our service and standard industry approach would expect.

My final decision

For the reasons outlined above, I don't uphold Mr H's complaint about The National Farmers' Union Mutual Insurance Society Limited.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H to accept or reject my decision before 29 August 2023.

Josh Haskey
Ombudsman