

The complaint

Mr K and Mrs K have complained that The National Farmers' Union Mutual Insurance Society Limited (NFU) provided a quote to them to take out a home insurance policy, but then declined to provide that cover.

As Mr K mainly seemed to deal with the complaint, for ease, I will normally only refer to him.

What happened

Mr K spoke to NFU on the phone to get a quote for home insurance. Mr K said he had no burglar alarm at the property and told NFU about a previous claim. Mr K contacted NFU the same day to make a correction to the details. A written quote was issued, which Mr K had about a week to accept.

When Mr K phoned to accept the quote and pay the premium, he was told he would have to phone back. When he did so, NFU told Mr K it wasn't able to offer him a policy and that it had referred this to its complaint department.

NFU replied to the complaint. It apologised for providing a quote it was unable to accept. It said that after it provided the quote it became aware it had made some errors. It said its agent had incorrectly entered the number of years No Claims Discount. A system error also occurred, which meant it didn't correctly review Mr K's home security. Its underwriting department reviewed this and NFU wasn't able to offer Mr K insurance as his home didn't meet the minimum security requirement. It offered £150 compensation for the poor service it had provided and Mr K's lost time.

When Mr K complained to this service, our Investigator didn't uphold the complaint. She said NFU didn't dispute that Mr K had provided full and accurate details for the quote. It also accepted its agent had made a mistake and that there was a system error. However, this service wouldn't expect an insurer to proceed with a policy that didn't meet its underwriting criteria. She said the £150 compensation NFU offered was reasonable in the circumstances.

As Mr K didn't agree, the complaint was 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.

Having done so, I don't uphold this complaint. I will explain why.

As part of making my decision, I've thought about what, in my view, is fair and reasonable in the circumstances. I have also taken into account other things, including the law.

It isn't in dispute that Mr K provided accurate information and that the errors in providing a quote were on NFU's part. These were that an agent entered the number of years No Claims Discount incorrectly and that a system error meant a quote was offered when this wasn't in line with NFU's underwriting criteria on home security. I'm also aware Mr K took out a policy elsewhere that cost more than NFU's quote. He wants NFU to honour its quote or to pay the difference.

NFU has said it wouldn't have offered a quote at all if there hadn't been a system error. Mr K's home didn't have a burglar alarm and NFU's underwriting policy was that, where it considered the risk was too high, it wouldn't offer cover where there was no alarm system. But the system error meant the underwriting check didn't take place, which would have prevented a quote being produced.

It's the normal position of this service that we wouldn't expect an insurer to provide cover where the circumstances didn't meet its underwriting criteria. In this instance, NFU identified its error in providing a quote when Mr K accepted the quote and wanted to pay. I think it was reasonable that NFU withdrew its offer of cover and didn't take Mr K's payment. I've seen the underwriting criteria and can see the offer was made on an incorrect basis.

NFU accepts it made a mistake, our approach when this happens is to put the consumer in the position they would have been in, but for the mistake. In this case, if NFU hadn't made a mistake with processing Mr K's details, it wouldn't have given him a quote. So, I don't think it's fair and reasonable to now put Mr K in a more favourable position than the one he'd have been in, but for NFU's mistake.

I'm aware Mr K has also said contract law meant NFU was required to honour its quote. I've thought about this, but it doesn't change my view. A contract is generally formed when there is an offer, acceptance, consideration, and an intention to be legally bound. I'm not persuaded all the elements had been made out, given Mr K hadn't paid for the policy. However, even if they were, my understanding is that a contract can be voided under common law rules if a mistake is made by a party in particular situations.

There is no doubt there was a mistake by NFU, and my role is to consider what is fair and reasonable in all circumstances of the case. When Mr K phoned to accept the quote, NFU realised it had made an error in providing it. It then told Mr K it couldn't offer a policy. NFU also quickly reviewed what had happened and offered him £150 to recognise its errors and the impact on Mr K. I think that was fair in the circumstances and I don't require NFU to do anything further.

My final decision

For the reasons I have given, it is my final decision that this complaint is not upheld.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs K and Mr K to accept or reject my decision before 17 June 2024.

Louise O'Sullivan
Ombudsman