

## **The complaint**

Mr and Mrs A have complained about their home insurance policy with Zurich Insurance PLC.

## **What happened**

In 2023, Mr and Mrs A made a claim under the legal expenses section of their home insurance policy. The claim was declined for lack of reasonable prospects, so Mr and Mrs A had to pay their own legal costs. They were wholly successful in the legal proceedings but have been left with significant costs. Mr and Mrs A say the legal cover was not fit for purpose and, as it was part of the policy provided by Zurich, they consider it should reimburse their costs.

Zurich looked into the complaint. It agreed to contact the legal expenses insurer but ultimately said it was not responsible for the way another insurer had handled a claim.

Mr and Mrs A remained unhappy so referred the matter to us.

One of our Investigators looked into the matter. He did not consider Zurich was responsible for the way the legal expense claim had been handled. He said that if Mr and Mrs A wanted to complain about the way the policy was sold to them, then that would be a separate complaint. He pointed out, however, that if it was sold by a broker, Zurich would not be responsible.

Mr and Mrs A remain very unhappy and do not accept the Investigator's assessment. They have made a number of submissions in support of their initial complaint and in response to the Investigator. I have considered everything they have said but have summarised the main points below:

- The Investigator's rejection of their complaint is extraordinary.
- The Investigator did not contact Zurich to discuss this before reaching his view.
- Zurich's head of private clients confirmed to them in an email in May 2023 that it was responsible for its suppliers' actions.
- The Investigator has not considered this email or any of the documents they have submitted.
- The legal expenses cover was outsourced by Zurich for commercial reasons.
- They chose to be customers of Zurich and had no choice in who Zurich appointed to provide the legal expenses cover.
- They paid the insurance premium to Zurich and did not pay the legal expenses insurer separately for the legal cover. Zurich is therefore accountable for the legal expenses cover.
- The legal cover added to the policy is not fit for purpose and this is Zurich's responsibility.
- The Investigator suggested they make a complaint of mis-selling but this is not their complaint and only served to delay matters.

- The Investigator has not asked Zurich why they include legal protection in their policy. It seems to be as a selling point to encourage its customers to sign up to the main source of revenue for them, *i.e.* the household insurance cover.
- No information has been provided of the monitoring and oversight Zurich carries out of its suppliers.

As the Investigator was unable to resolve the complaint it has been passed 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.

For clarity I have not discussed anything with Zurich. I do not think it is necessary as the information required for me to fairly determine the outcome of this complaint is all available to me, without the need to contact Zurich again.

Zurich branded and packaged the legal cover with the home insurance, as a free add-on to the main insurance cover. It is clearly set out in the policy documents that the legal expenses cover is underwritten by another insurer, not Zurich which only underwrites the buildings and contents insurance. The legal expenses insurer is not providing the legal expenses cover on behalf of Zurich, it is a separate insurer providing a separate product, albeit they have been packaged together and the premium is paid to Zurich. This is not an uncommon arrangement.

The only regulated activities undertaken by Zurich in this case is that it provided a policy that also had free add-on legal expenses cover and collected the premiums. That does not mean that Zurich is responsible for how any claim made under that separate cover is handled. The legal expenses insurer handled the claim independently and is regulated in its own right for that activity. As has been explained to them already, if Mr and Mrs A want any complaint about the handling of their legal expenses claim considered this will have to be brought against the legal expenses insurer.

I have no power to make any award against Zurich for the handling of a claim by another insurer.

Mr and Mrs A have asked us to question why Zurich include legal expenses cover in the policy and the monitoring arrangements between Zurich and the legal expenses insurer. They are probably correct that this was to make the product Zurich was offering more attractive to potential customers but I do not need to consider Zurich's decision to do this. I say this because, in my opinion, is not relevant in order to determine this complaint. In any event, Zurich is free to make those commercial decisions and any issues about such decisions would be for the regulator (the Financial Conduct Authority) and not us. I cannot therefore comment on Zurich's decision to add legal expenses cover to the home insurance policy, or why it chose to do so with the legal expenses insurer it did.

Mr and Mrs A also say that Zurich accepted it was responsible for the legal expenses insurer in an email in May 2023. I have considered this email, which was from the head of the private client team, it said:

*"Ultimately, the service you receive from any of our suppliers is reflection on our organisation as that is the contractual relationship you enter into when paying the premium for your policy, once again, I'm sorry you haven't received the service you rightly expect."*

*I've received your subsequent email and have escalated the matter with my contacts at ... [the legal expenses insurer] who are looking into matters at their end. I can assure you that my team and I will give your complaint the attention it rightly deserves".*

I note the writer of this email refers to the legal expenses insurer as a supplier but this email does not formally accept legal liability for the insurance handling. Even if it did, Zurich is not bound by this email. Zurich's formal final response to the complaint in May 2024 confirmed its position that it is not responsible for the legal expenses cover. And, for the reasons given above, I agree that this is the correct position.

Having considered the matter carefully, I agree with the Investigator that Zurich has not done anything wrong and it is not responsible for the costs that Mr and Mrs A incurred.

### **My final decision**

I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr A and Mrs A to accept or reject my decision before 19 November 2024.

Harriet McCarthy  
**Ombudsman**