

## **The complaint**

Ms W complains that U K Insurance Limited (“UKI”) withdrew cover for a claim on her legal expenses insurance policy.

## **What happened**

Ms W made a claim on her legal expenses policy for cover to pursue breach of contract and negligence claims against a contractor and a building surveyor, in relation to work carried out at her property. Cover was provided and solicitors appointed to act for Ms W,

A little while later, the solicitors said they couldn’t confirm there were reasonable prospects of recovering any award against the contractor due to its financial circumstances. UKI withdrew cover for that claim.

The claim against the surveyor continued, but the solicitors then said even if Ms W could prove that claim, it was unlikely she would be able to recover any award. They also said the costs involved in pursuing the claim were not proportionate. UKI withdrew cover for that claim as well.

Ms W complained about cover being withdrawn. She was also unhappy about the way the solicitors had handled the case and said they should not have been appointed as they did not have the expertise to deal with it.

UKI didn’t uphold the complaint. When Ms W referred it to this Service, our investigator said she couldn’t consider the solicitors’ actions, only the way UKI had dealt with the insurance claim. She didn’t think it was wrong for UKI to withdraw cover in circumstances where the solicitors advised Ms W did not have reasonable prospects of recovery.

Ms W disagrees and has requested an ombudsman’s 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.

In this decision, I’m only considering whether the way UKI dealt with the insurance claim was fair and reasonable. Its role was to assess the claim against the policy terms. If a claim is covered, UKI pays the legal costs but is not responsible for managing the legal action; that’s the solicitors’ responsibility.

The solicitors were acting for Ms W and there was a direct relationship between them. They were not carrying out an insurance activity, nor acting as an agent for UKI. They are regulated in their own right and have their own complaints process. I can’t consider the solicitors’ actions.

In considering how UKI dealt with the claim, I’ve taken into account the relevant industry rules and guidance which say insurers must deal with claims promptly and fairly, support a policyholder to make a claim, and not unreasonably reject a claim.



The policy includes cover for the type of claim Ms W wished to pursue, but the policy terms say cover will only be provided if the claim has reasonable prospects of success for the duration of the claim. This is defined as

*“...a better than 50% chance that you will:*

- obtain a successful judgment, and*
- recover your losses or damages or obtain any other legal remedy we agree to...”*

The policy terms also say cover may be withdrawn if the claim no longer has reasonable prospects or the costs are not proportionate. UKI is entitled to keep this under review as a case progresses.

Terms like these are included in almost all legal expenses policies. It wouldn't generally be fair to expect an insurer to cover a claim if it's unlikely to succeed, or where the costs are more than the amount in dispute. Insurers will obtain legal advice about this and they're entitled to rely on that advice unless it's obviously wrong.

The solicitors initially advised that the claims had reasonable prospects of success, so cover was provided. That doesn't mean Ms W was entitled to cover throughout – prospects of success and proportionality will be kept under review and if, at a later date, the legal advice is that a claim no longer has reasonable prospects, or is no longer proportionate, cover may be withdrawn.

Once the solicitors advised that it was unlikely Ms W would recover anything, and the costs meant the claim was no longer proportionate, it was reasonable for UKI to review the claim.

I appreciate Ms W disagrees with the solicitors' comments, and questions the conclusions they reached, but they set out their reasons clearly. Even if more enquiries could have been made, that would have increased the costs further, and the advice was that the costs already incurred meant it would not be proportionate to pursue the claim. So it wasn't just a question of recoverability – the legal advice was that claim wasn't proportionate to pursue in any event.

On the basis of this clear legal advice, UKI was entitled to review the claim.

UKI explained to Ms W that if she wished to challenge this, she would need to obtain further legal advice, which is in line with normal practice and what I'd expect an insurer to do.

Ms W has questioned the expertise of the solicitors, and says they shouldn't have been appointed if they did not have appropriate experience in this area of law. She says they no longer deal with this type of dispute. I'd expect an insurer to consider whether the solicitors being appointed have relevant experience. But the solicitors themselves would reasonably be expected to say whether they are able to take on the case. That's ultimately a judgment for the solicitors. And, as I've explained, if Ms W is unhappy with the solicitors, she's able to pursue any complaints against them through their complaints procedures.

Ms W raised some further complaint points about delays with her claim. Those issues were not part of this complaint and will need to be considered separately.

I appreciate Ms W finds herself in a very difficult situation if she is unable to pursue the legal action, but I'm only considering the claim on her insurance policy, not the underlying legal dispute. And for the reasons set out above, I think UKI's decision to withdraw cover was in line with the policy terms and was fair.



**My final decision**

My decision is that I don't uphold the complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms W to accept or reject my decision before 5 June 2025.

Peter Whiteley  
**Ombudsman**