

## **The complaint**

Mr M's complaint is about the rejection of a claim made under his legal expenses insurance cover with HDI Global Specialty SE.

HDI is the underwriter of this policy, *i.e.* the insurer. Part of this complaint concerns the actions of the agents it uses to deal with claims and complaints on its behalf. As HDI has accepted it is accountable for the actions of the agent, in my decision, any reference to HDI includes the actions of the agents.

## **What happened**

Mr M was employed by a company I will refer to as AC. In late 2022, he contacted HDI as he wanted cover for legal proceedings against AC for unfair dismissal, discrimination and breach of contract.

HDI rejected Mr M's claim, as it said the policy was sold to Mr M by AC and the policy specifically excludes any claim that relates to a dispute with HDI or with the company that sold the policy.

Mr M is very unhappy with this. He complained and as HDI maintained its position, he referred the complaint to us. I understand Mr M took tribunal proceedings against AC and settled his claim in 2024. Mr M wants the legal costs he incurred reimbursed.

One of our Investigators looked into the matter. She did not recommend the complaint be upheld, as she was satisfied that HDI was entitled to rely on the exclusion it had to reject Mr M's claim.

Mr M does not accept the Investigator's assessment. He has made a number of points in his initial complaint and in response to the Investigator. I have considered everything Mr M has said and have summarised his main points below:

- the information he has provided and the seriousness of this matter has not been properly understood or considered.
- He has provided evidence that if he had purchased the exact policy from a different broker, his claim would have been covered, so he cannot understand how his complaint is not being upheld.
- The price for the cover is the same, so the cover provided should be the same.
- This is discriminatory and contrary to the Financial Conduct Authority ("FCA") Consumer Duty and rules about treating customers fairly.
- Who a policyholder buys a policy from should have no impact on whether the policyholder can claim.
- It is unfair that HDI and its agents sell policies knowing policyholders cannot use them.
- The exclusion is broad and invalidates many sections of cover making it unsuitable for anyone. HDI has a duty to inform its sellers that it is not suitable for their employees.

HDI did not make the exclusion clear enough in the policy wording - it is not in the Insurance Product Information Document ("IPID") or prominent in the policy wording - and didn't advise that the product should be purchased elsewhere (not through an employer).

- The policy wording is intended to prevent insurance consumers (not insurance employees) from taking legal action against the broker/provider that sold them their insurance, should they not be happy with a claim or repudiation of, for example, not employment disputes like his.
- The exclusion cannot be intended to exclude cover for employment claims, or any other section of cover, unrelated to the administration of the insurance contract provided by the broker.

Mr M also said that he was employed under a different company name than the broker name. However, the Investigator provided evidence from the FCA website that the different company name is a trading name of AC and so was not a separate legal entity.

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.

When considering what is fair and reasonable, I am required to take into account the relevant law and regulations; regulator's rules, guidance and standards, and codes of practice; and, where appropriate, what I consider to have been good industry practice at the time.

The Financial Conduct Authority ("FCA") Handbook sets out a number of rules and guidance that I consider applicable to this case. These include the Insurance Conduct of Business rules ("ICOBS"); FCA's high-level standards: the Principles for Businesses; and the FCA Consumer Duty.

The Insurance Conduct of Business Sourcebook says that insurers should handle claims fairly and not unreasonably reject a claim.

The FCA Principles require Tesco to treat its customers fairly and to "*act to deliver good outcomes for retail customers*".

The Consumer Duty adds to the above rules requiring financial firms to ensure claims are not rejected unfairly.

The policy provides cover for various legal disputes, including employment disputes but this is subject to various terms and conditions. The term relevant to this claim says:

*"What is not covered by this policy (applicable to the whole policy)*

*The insured is not covered for any claim arising from or relating to:*

*9. a dispute with us not dealt with under Condition 6, or the insurer or the company that sold this policy".*

Condition 6 states:

*"6. Disputes*

*If any dispute between the insured and us arises from this policy, the insured can make a complaint to us as described on the back page of this policy and we will try to resolve the matter. If we are unable to satisfy the insured's concerns the insured can ask the Financial Ombudsman Service to arbitrate over the complaint."*

Mr M says the exclusion is unfair and is not intended to apply to employment disputes but is intended to exclude claims from customers about the operation of the policy.

I do not agree. I think it is sufficiently clear that the exclusion is "*applicable to the whole policy*" and that it relates to "*any claim*". I do not think there is anything in the wording that would support that it is not intended to apply to the employment section of cover.

In my opinion, the wording of the exclusion is sufficiently clear, it will not cover any dispute with the company that sold the policy. The company that sold the policy to Mr M was AC, which is the same entity he wants to take legal action against. It is therefore clear this exclusion does apply to Mr M's claim.

I do not consider it inherently unfair, such that HDI should not be able to rely on it. Insurers are generally entitled to decide what cover they want to provide.

We do expect insurers to apply policy terms fairly and reasonably. I have therefore considered whether HDI has acted fairly in relying on this term to reject Mr M's claim. Having done so, I think it has acted fairly. I will explain why.

I do not consider that the application of the term would restrict the cover to such a degree that it would be unfair for HDI to rely on it. And, as stated, HDI is entitled to decide what it wants to provide cover for and in this case HDI has clearly set out in the policy that it does not want to cover claims brought against it or its brokers.

I also do not agree that the fact Mr M could have got cover elsewhere that would have covered his claim against his employer means that HDI has not treated him fairly or in accordance with the rules that govern insurance industry

Mr M also says the exclusion was not in the IPID or prominently stated in the policy document. While the policy documents are produced by HDI, it is for the seller of the policy to ensure the customer has sufficiently clear information about the policy and its main terms and conditions in order to be able to make an informed decision about whether to buy it or not and whether it is suitable for their needs. (Please note, I make no comment or finding about whether the exclusion in question in this case would be considered a main term that should have specifically been drawn to Mr M's attention or not.) As this would be a matter for the seller, I cannot consider whether this restriction on cover was made sufficiently clear to Mr M or not in this decision.

Having considered everything very carefully, I do not agree that the exclusion can be considered unfair and I consider HDI was entitled to rely on it to reject Mr M's claim.

### **My final decision**

Despite my sympathy for Mr M's situation, I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 4 August 2025.

Harriet McCarthy

**Ombudsman**