

The complaint

Mrs K and Mrs Q complain that ARAG Legal Expenses Insurance Company Limited has unfairly declined a claim under their landlord legal expenses insurance policy.

Where I refer to ARAG, this includes the actions of its agents and claims handlers for which it takes responsibility.

What happened

The detailed background to this complaint is well known to both parties, so I'll only summarise the key events here.

- In August 2024, Mrs K and Mrs Q made a claim under their landlord legal expenses insurance policy for rent arrears.
- ARAG declined the claim on the basis it wasn't reported in time. It said the late notification had prejudiced its position because:
 - A section 8 notice was issued to the tenants, but no further action was taken following its expiry.
 - The delay in taking action has caused the arrears to build up significantly.
- Mrs K and Mrs Q didn't think this was fair and raised a complaint. They said:
 - Whilst the rent arrears started in February 2024, the tenants were partially paying at that time.
 - The claim was reported within 90 days of them becoming aware the tenants would no longer be paying their rent.
 - A section 8 notice was issued in April 2024 by the letting agents, but they had no knowledge of this until July 2024.
- ARAG maintained its decision to decline the claim, so Mrs K and Mrs Q brought their complaint to our Service.
- Our Investigator didn't uphold the complaint. She was satisfied ARAG had handled the claim in line with the policy terms and hadn't treated Mrs K and Mrs Q unfairly.

As Mrs K and Mrs Q didn't agree with our Investigator, the complaint has been passed to me to decide.

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've reached the same outcome as our Investigator, and for broadly the same reasons. Before I explain why, I wish to acknowledge the parties' submissions in respect of this complaint. Whilst I've read them all, I won't comment in detail on every single point that has been made. Instead, I'll focus on the key points that are relevant to the

outcome I've reached. That's in line with our remit, which is to resolve complaints promptly and with minimal formality.

Mrs K and Mrs Q's landlord legal expenses insurance policy covers rent arrears where a tenant or ex-tenant defaults on the rent due but still occupies the property. The policy sets out the reporting requirements which say:

"Please note that all claims other than claims under insured incident 5 tenant default, must be reported to us no more than 90 days after the date you should have known about the insured incident.

For claims under insured incident 5 tenant default, please contact us within 45 days if any part of the rent owed under the tenancy agreement is still unpaid after the date it was first due."

It's not in dispute that Mrs K and Mrs Q's tenant first defaulted on the rent in February 2024, and they didn't report the claim until August 2024.

As the claim needed to be reported within 45 days of any part of the rent being unpaid, the claim should've been reported to ARAG no later than April 2024. So I'm satisfied the policy terms haven't been complied with.

Under the relevant rules and regulations, a rejection of a claim for breach of a condition is considered to be unreasonable unless the circumstances of the claim are connected to the breach.

ARAG say they are, and I'm inclined to agree. I say this because, had the claim been reported within 45 days, the arrears would've been around £500 rather than the £5,000 claimed for. And ARAG could've taken action to mitigate the losses it was responsible for by issuing a section 8 notice and following through with repossession proceedings promptly once this expired therefore minimising the rent arrears it had to pay.

Instead, Mrs K and Mrs Q has allowed rent arrears to accrue for six months without taking any action to mitigate these losses. And I'm not persuaded it's fair for ARAG to have to pay for the increased losses due to Mrs K and Mrs Q's inaction.

I'm aware Mrs K and Mrs Q say they didn't know their agent had issued a section 8 notice. But this doesn't alter anything. In fact, it raises more questions as to what action Mrs K and Mrs Q were taking during the six-month period when their tenant wasn't paying.

From the information available, I'm not persuaded Mrs K and Mrs Q have complied with the policy terms and their failure to do so has caused ARAG's position to be prejudiced. As such, I don't think ARAG acted unfairly or unreasonably by declining the claim.

My final decision

For the reasons I've explained, I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs K and Mrs Q to accept or reject my decision before 26 September 2025.

Sheryl Sibley
Ombudsman