

The complaint

Mr D is a sole trader (trading as D). He complains about what ARAG Legal Expenses Insurance Company Limited did after he made a claim on his business legal protection insurance policy.

What happened

In May 2024 Mr D completed work for a customer and requested payment. The customer refused to pay and made allegations against Mr D. The police were called. Mr D says the police jumped to conclusions and made accusations against him which they didn't have reason to do. And the incident caused him trauma which he described as a brain injury. Mr D sought assistance from his legal expenses policy with a claim against the police.

ARAG said the incident didn't fall within one of the insured events covered by his policy. In particular while it did cover a claim for personal injury the policy didn't cover psychological injury alone. And it didn't think Mr D's claim would fall within any of the other insured events covered by his policy.

Our investigator thought ARAG had acted correctly and fairly in saying Mr D's claim wasn't one his policy covered. Mr D didn't agree. He thought our investigator had based her view on inaccurate information. We explained to Mr D that, if he thought that was the case, it was important he provided us with his version of events. He provided general information about the basis on which our decisions should be and were made. So I need to reach a final 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.

I appreciate this has been an extremely difficult and challenging experience for Mr D. I've listened to the calls where he made his claim and he's very clear about the impact the incident in May 2024 had on him. I was very sorry to learn of how upsetting he found that and of the trauma he describes following that (and its impact on his ability to work). But the question I need to consider is whether ARAG did anything wrong in turning down the claim he made on his legal expenses policy. And in considering that I've taken into account that the relevant rules and industry guidelines say ARAG has a responsibility to handle claims promptly and fairly. It shouldn't reject a claim unreasonably.

In order for cover to be available for Mr D's claim the issue he's seeking cover for needs to fall within one of the insured events his policy contains. And the onus is on a policyholder to show, on balance, that's the case. From the calls I've listened to it's clear the claim Mr D wanted to pursue was against the police for their actions in respect of the May 2024 incident. In his complaint to us he said he'd suffered a brain injury following that. And ARAG falsely defined that as not being a physical injury which he didn't agree was the case.

I've reviewed the terms of his legal expenses policy to see if that claim could fall within any of the insured incidents it contains. One of those is 'Personal Injury' and the cover it provides is for "*costs and expenses for an insured person's and their family member's legal rights following a specific or sudden accident that causes the death of, or a bodily injury to them*".

Mr D says the trauma he suffered following the incident in May 2024 should be considered a bodily injury. I think that's certainly an arguable position. But I don't think it impacts the outcome of his complaint. Even if he is right about that (and his claim does fall within the above definition) the policy goes on to explain as part of the personal injury section 'What is not covered'. And that includes "*psychological injury or mental illness unless the condition follows a specific or sudden accident that has caused physical bodily injury*".

Mr D has referred to the trauma he suffered as Post Traumatic Stress Disorder (PTSD). And the NHS describes that as a "*mental health condition*". So I think for cover to be available for his claim that condition would need to result from an accidental physical bodily injury. There's no suggestion that was the case here. Mr D hasn't suggested there was any physical bodily injury that triggered his PTSD; he's only referenced the actions of his customer and the police as a cause. That didn't involve a physical injury to him. I think ARAG was right to say he hadn't shown cover was available under this part of the policy.

I've reviewed the other insured events covered by the policy. It does cover 'Legal Defence' which covers costs and expenses to defend legal rights when dealing with the police and where it's alleged the insured person may have committed a criminal offence. But the police didn't take any further action in relation to the May 2024 incident so there are no costs the policy would cover here. And this section is for defending a claim whereas Mr D wanted to pursue a claim against the police. I've also looked at the other insured events in the policy. None of those would cover the claim Mr D wanted to bring either.

I don't doubt Mr D's strength of feeling about this matter and the impact on him of what happened but I think ARAG was right to say this wasn't something his legal expenses policy could assist with. Mr D has also referenced other cover he held (for example a personal accident policy). However, those policies are underwritten by a different insurer. So any concerns Mr D has about the outcome of claims he made on those policies would need to be considered as part of a separate complaint. As our investigator advised if he does want us to look into those matters he can contact her about that.

My final decision

I've decided not to uphold this complaint. Under the rules of the Financial Ombudsman Service, I'm required to ask D to accept or reject my decision before 24 June 2025.

James Park
Ombudsman