

The complaint

Mr I complains about what Royal & Sun Alliance Insurance Limited did after he made a claim on his legal expenses insurance policy.

What happened

In September 2024 Mr I sought assistance from his legal expenses policy. He said his trade union hadn't provided legal assistance with an Employment Tribunal (ET) hearing and then ended his membership. He wanted to bring a claim against it for "*breach of contract, disability discrimination and victimisation*". RSA initially thought Mr I entered into his membership contract with the union prior to taking out this policy. However, after considering further points from Mr I it accepted the claim and referred it to panel solicitors for an assessment of whether it had prospects of success (as required by the policy).

The panel solicitors gave advice about the claim at the end of October. They told RSA Mr I hadn't consented to them providing that advice to it. But he wanted the claim to be considered under the employment disputes section of cover (rather than contract disputes). RSA said that covered claims which arise out of a policyholder's contract of employment for their work as an employee. It didn't think that Mr I's claim would fall within that insured event as he didn't have a contract of employment with his union and wasn't employed by them.

Our investigator thought it was reasonable of RSA to conclude this claim didn't fall within the employment disputes section of Mr I's policy and to consider it under contract disputes. He didn't uphold the complaint.

Mr I didn't agree. He said he'd been wrongly and unfairly dismissed by his employer but this claim related to redress for victimisation and breach of contract by his trade union. And that dispute was directly linked to his past employment as that led to his union contract being terminated. RSA had delayed in assessing his claim and hadn't arranged representation in his ongoing case which the ET had accepted it had jurisdiction to consider.

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.

The relevant rules and industry guidelines say RSA has a responsibility to handle claims promptly and fairly. It shouldn't reject a claim unreasonably.

The insured events in Mr I's policy include cover for contract disputes. In relation to that it says it covers costs and expenses for "*your legal rights in a contractual dispute arising from an agreement or an alleged agreed which you have entered into for the buying or hiring in of any goods or services or the selling of any goods*".

I think it was reasonable of RSA to initially consider the claim under that section because when making his claim Mr I referred to a breach of contract by his trade union and in response to the question "*What does your problem relate to?*" he selected "*Consumer /*

Contract e.g. Goods and Services". And it's a condition for cover to be provided that "*you have entered into the agreement or alleged agreement during the Insurance Period*". I think it was reasonable of RSA to query whether that applied here given Mr I's union membership appears to date back a significant number of years.

Once that issue was resolved (which took place in under a week) RSA agreed to refer the matter to panel solicitors for them to assess whether that claim had reasonable prospects of success. It's unclear what the outcome of that assessment was because, although it's referenced in an email from the panel firm to Mr I at the end of October, the firm said he hadn't agreed to provide it to RSA. And he didn't do so in response to a subsequent request from RSA. In the absence of a positive assessment of the claim's prospects being provided to it, I don't think there was any further action RSA needed to take under the contract disputes section of cover.

Mr I then asked for his claim to be considered under the employment disputes section. That says it will cover costs and expenses for "*a dispute relating to your contract of employment or future employment for your work as an employee*". Mr I argues that should cover his dispute with his union. I understand that's because the dispute which led to this claim arises from his employment contract without which he wouldn't have membership of his trade union. And the ET agreed it had jurisdiction to consider this claim.

I appreciate the ET may well have jurisdiction to consider a claim that his union treated him unlawfully. But the question of whether that's a claim his legal expenses policy should assist with is governed by the policy wording I've referenced above. It's clear Mr I isn't employed by his trade union and doesn't have a contract of employment with them. However, the wording of his policy doesn't say that for a claim to fall within employment disputes it needs to be brought against his employer. What it does require is that the claim relates to your contract of employment for your work as an employee. In interpreting that I think it's reasonable to say there would need to be a meaningful connection to the contract of employment for cover to be available.

In this case I accept there's a link between the claim Mr I wants to bring and his contract of employment. He says it's the unfair dismissal claim he wanted his union to provide legal representation for which led it to end his membership. However, the claim he's seeking funding for is a separate one against his union for "*breach of contract, disability discrimination and victimisation*". I don't think it was unreasonable of RSA to conclude Mr I hadn't shown there was a close enough connection between that dispute and the unfair dismissal claim he had with his employer for cover to be available under the employment disputes section of his policy. So I don't think it acted unfairly in turning down his claim (meaning it didn't need to fund legal representation for it). And having reviewed Mr I's claim journey I don't think there was any significant delay by RSA in progressing matters.

My final decision

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

James Park
Ombudsman