

The complaint

Ms Y is unhappy with what Liverpool Victoria Insurance Company Limited did after she made a claim on her legal expenses insurance policy.

What happened

In 2024 Ms Y paid a reservation fee to a developer for a new build property. The sale was expected to complete in mid-2025. In January 2025 she was told completion needed to take place by the end of February and not meeting that deadline would result in the property being relisted and the loss of her reservation fee. Ms Y thought the developer was in breach of contract and made a claim on her policy.

LV turned down the claim later in January. It said it wasn't covered under property protection as it didn't relate to "your home" as defined in the policy. It didn't think cover was available under 'contract disputes' because that only applied to buying or hiring goods or services. That wouldn't apply to the purchase of a property.

Our investigator agreed the claim wasn't covered under property protection because the reservation agreement was separate from the purchase of Ms Y's home. But he thought it could be covered under contract disputes. The developer was providing a service under that agreement; in return for the reservation fee it was removing the property from sale. He said LV should reconsider the claim against the remaining policy terms (which would include whether the claim was proportionate to pursue which it had expressed concern about).

LV agreed to do that. Ms Y didn't agree. She said her reservation fee had now been reallocated to different property with the same developer. So that issue was no longer in dispute. However, she remained unhappy with how LV had handled the claim and the impact on her of that.

She said as a result of the claim being wrongly turned down she'd been caused months of avoidable stress and delay and had been left to deal with matters (including negotiating with the developer) without the support she should have received. That had particularly impacted her as she suffered from a number of serious medical conditions which were exacerbated by stress. She also said LV hadn't taken steps to make reasonable adjustments for her neurodivergence and ADHD. She thought compensation should be provided in the region of £2,000 to £3,000 for the impact of all that on her.

I issued a provisional decision on the complaint earlier this month. In summary I said:

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

In this case Ms Y argued from the outset that this was a contract dispute. And her policy covers "pursuing a claim directly resulting from a breach of your contract to buy or hire goods or services for your private use". I agree with LV the purchase of a property wouldn't represent a contract for buying goods (because goods are generally understood to mean

tangible, moveable items). And there's clearly a connection between the reservation agreement Ms Y entered into and her property purchase.

But the reservation agreement isn't in itself the contract to purchase the property which would need to have been concluded under a separate contract. I think it's reasonable to say (and LV has now accepted) the reservation agreement was a contract for the purchase of services. In exchange for the reservation fee the developer agreed to remove the property from the market.

So LV should have accepted the claim. But that doesn't mean it would have provided funding for it. It's a condition of cover being provided that "your claim has and continues to have a reasonable chance of success" and "the cost of legal expenses to pursue your claim will be proportional to the expected benefit". LV should therefore have referred the claim to a firm of panel solicitors for a legal assessment of that.

However, Ms Y subsequently agreed with the developer to transfer her reservation fee to a different property. So she's not now seeking funding for a legal expenses claim. That means there's no longer a claim for LV to consider. The outstanding issue is what, if anything, LV needs to do to recognise the impact on Ms Y of her claim being wrongly turned down in January 2025.

I've reviewed and considered all of the submissions Ms Y has made about that. I don't doubt this was an extremely difficult period for her. And that it will have been particularly challenging for her to, for example, enter into negotiations with the developer given her ADHD, neurodivergence, physical disability and PTSD. But I can't safely conclude that would all have been avoided if LV had acted as it should.

It does seem to me that some of the stress and upset Ms Y has clearly been caused results from the actions of the developer (and would have been present regardless of LV's actions). In support of that I can see at the same time she claimed on her policy (so prior to any outcome being reached on that) she commented that the sales process had already been more stressful than she anticipated.

And if LV had acted correctly it would have needed to refer the claim for an assessment of its prospects of success (and proportionality). It's not clear if that would have been positive meaning funding may not have been provided for her claim. Even if the assessment had been positive that process is in itself likely to have taken time. So while that was happening Ms Y would in any case have needed to take steps to protect her position which would likely have included negotiating with the developer.

However, I do agree LV's failure to accept the claim meant Ms Y then had to engage in further correspondence with it about this. And it will in itself have been disappointing and frustrating for her that a claim which should have been accepted wasn't. I also recognise the impact on her of that will have been exacerbated by the underlying health and other conditions which impact her. Taking all of that into account I think a payment of £250 would fairly recognise the impact on her of what LV got wrong. I appreciate that falls far short of the remedy she was hoping to achieve but for the reasons I've explained I don't there's a clear enough link between what LV got wrong and some of those wider impacts she's referenced. Ms Y also says LV didn't make reasonable adjustments for her neurodivergence and ADHD when dealing with her claim. However, that wasn't raised as part of the complaint she made to it on 23 January 2025 and isn't addressed in the final response it subsequently issued. LV would therefore need an opportunity to consider this point before we were able look at it. So if Ms Y remains concerned about this issue she can raise that separately with LV. We could potentially consider a fresh complaint about that if she was unhappy with its response.

Responses to my provisional decision

Ms Y didn't agree with the compensation I'd recommended. She didn't think that reflected the impact of what LV got wrong on her. And she drew attention to her health conditions which had made dealing with the dispute (and discussing matters with the developer) more difficult. She said that had a far greater impact on her than it would for someone without those conditions. And if LV had acted properly she'd have had support in place to assist with that. She thought compensation in the region of £750–£1,000 would be appropriate.

LV didn't agree either. It didn't think any compensation should be paid. It said even if the claim had been accepted and passed for a legal assessment it might still have been declined. Ms Y would in any case have had to engage with the solicitors which could in itself be a stressful process. There would also have been an expectation that she should engage with the developer prior to taking legal action. And it had initially thought the claim wasn't covered. While that would have been disappointing for Ms Y, as the matter was resolved without the intervention of solicitors, it didn't feel compensation was warranted. And it drew attention to the fact the value of the claim was only £1,000.

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.

LV says its initial view was this claim wasn't covered. However, for the reasons I've previously explained it was wrong to conclude that. So it has been at fault here. The issue is what impact that failing then had on Ms Y. And in relation to that LV appears to have made similar arguments to ones I'd already set about the need for the claim to have been referred for a legal assessment.

That would have needed to happen and it isn't clear whether it would have been positive or not. Ms Y says if LV had acted properly she'd nevertheless have had support to assist in negotiations with the developer. I'm not persuaded that is the case. She wouldn't have had specific support from her policy with this claim until a positive legal assessment had been provided which is likely to have taken time. So Ms Y would most likely always have needed to engage with the developer to protect her position.

However, I don't agree with LV compensation isn't warranted for what it got wrong. As LV should be aware that amount isn't reflective of the value of the claim but the impact on Ms Y of its error. And I explained in my provisional decision the reasons why I thought that was justified. In particular LV's failure to accept the claim when it should have done meant Ms Y had to engage in further correspondence with it about this. And it will in itself have been disappointing and frustrating for her that a claim which should have been accepted wasn't.

Ms Y has highlighted the impact of her underlying health conditions which she says exacerbated the impact of what LV got wrong on her. I do accept (and acknowledged in my provisional decision) that will have been the case. But I'd already taken that into account in arriving at a compensation figure of £250. I'd likely have recommended a significantly lower amount for a consumer that wasn't affected by those conditions. It remains my view that's the right amount to put things right in this case.

My final decision

I've decided to uphold this complaint. Liverpool Victoria Insurance Company Limited will

need to put things right by paying Mrs Y £250.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms Y to accept or reject my decision before 15 August 2025.

James Park

Ombudsman