

The complaint

Mr D and Ms M complain that RAC Insurance Limited has unfairly declined a claim under their legal expenses insurance policy.

Where I refer to RAC, 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.

- Mr D and Ms M hold a home insurance policy which benefits from legal expenses insurance underwritten by RAC. The policy started on 12 March 2024.
- In or around October 2024, Mr D and Ms M made a claim under their policy regarding a dispute with their solicitor over the costs incurred when representing them in a legal matter.
- RAC declined the claim on the basis the series of events giving rise to the claim started before the policy did.
- Mr D and Ms M didn't agree, so they made a complaint. They say the dispute didn't arise until after the policy started when they were informed by their solicitor that the costs incurred had exceeded the indemnity limit of the legal expenses policy which was funding the legal matter.
- As RAC maintained its decision to decline the claim, Mr D and Ms M brought their complaint to our Service. But our Investigator didn't uphold it. He was satisfied RAC had acted in accordance with the policy terms and hadn't treated Mr D and Ms M unfairly.

As Mr D and Ms M 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.

One of the conditions of cover under Mr D and Ms M's legal expenses insurance policy is that *"all legal claims must occur...during the period of cover"*. It defines "legal claims" as:

"An incident, or the first of a series of incidents which we accept as falling within the terms of this Family Legal Protection policy."

The policy has a general exclusion which says:

"We will not provide cover where the first incident leading the claim occurred prior to the start of the start date of this policy, unless specifically allowed under the section of cover".

Looking at the timeline of events provided by Mr D and Ms M, the incidents giving rise to the legal claim started – in my opinion – in or around November 2023. This is when they were put on notice that costs had exceeded the previous policy's indemnity limit. I agree that no dispute had arisen at that time, but Mr D and Ms M knew – or ought reasonably to have known – that:

- Their policy had an indemnity limit of £50,000 and would only cover legal costs up to that amount.
- They'd be liable for costs over and above what their policy would cover.
- The costs had exceeded the indemnity limit.
- The costs had far exceeded the estimate they'd been provided with several weeks prior.

Whilst this matter didn't materialise into a dispute and legal claim until 28 March 2024, when Mr D and Ms M were advised they'd be liable for the costs over and above the indemnity limit, the policy is clear that it's not when the claim arose but the first of the series of incidents leading to the claim which needs to fall within the policy period.

As such, I'm satisfied RAC's decision to decline Mr D and Ms M's claim as being pre-inception is a reasonable one. It's in line with the policy terms and I haven't seen anything to suggest Mr D and Ms M have been treated unfairly. So I can't fairly ask it to cover this claim.

However, I'm aware Mr D and Ms M had a previous legal expenses insurance policy. And they've held continuous cover since before the series of incidents began. As such, I don't think they should be left without cover simply because, when they renewed their home insurance, their legal expenses cover continued with another insurer. Looking at the terms and conditions for their previous policy, I can see it's a 'claims occurring' policy. This means it will cover claims provided that the series of events leading to the claim occurred within the period of insurance. As such, I believe Mr D and Ms M are more suitably insured for this claim under their previous insurance policy.

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 Mr D and Ms M to accept or reject my decision before 13 October 2025.

Sheryl Sibley
Ombudsman