

The complaint

W, a company, complains about a claim it made on its ARAG Legal Expenses Insurance Company Limited ('ARAG').

W says ARAG treated it unfairly by refusing to reimburse it for the legal costs it incurred.

W's complaint is brought by Mr S, but I shall refer to all submissions as being W's own for ease of reference.

What happened

The details of this complaint are well known to both parties, so I won't repeat it all here. Instead, I'll focus on giving my reasons for my 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.

Having done so, I don't uphold W's complaint for broadly the same reasons to those set out by the investigator. Before I explain why, I wish to acknowledge the volume of submissions made by W. Whilst I've considered everything it has said, I won't be addressing it all. That's not intended to be disrespectful. Rather it's representative of the informal nature of the Financial Ombudsman Service.

In this decision I will not be addressing any complaint points made by W that were not previously put to ARAG to consider. If W wishes to advance any new points it will need to make them to ARAG first before this Service can consider them.

These are the reasons for my decision:

- The starting point is the policy terms. They cover *"all reasonable and necessary costs chargeable by the appointed representative and agreed by (ARAG) in accordance with the (ARAG) Standard terms of appointment."* In this case W's costs were covered by ARAG up to the point that it ceased instructing the panel firm appointed under the policy and sought assistance elsewhere. ARAG have refused to fund W's costs incurred on a privately paying basis. I don't think that was unreasonable. ARAG were not involved in W's decision to seek legal services elsewhere nor were they asked to agree to those costs in advance. Rather W sought reimbursement for them after they were incurred. Given the policy terms and the nature of the insurance in place, I'm not satisfied that what W is asking ARAG to pay is fair in the circumstances.
- I appreciate that W didn't agree with the advice being given by the panel firm which informed its decision to go elsewhere. But W didn't discuss this with ARAG, nor did it ask its own Solicitors to contact ARAG to discuss whether alternative funding might be available. Had it done so, ARAG would have been in a position to determine, with

the benefit of alternative legal advice, whether what the panel firm was asking for was reasonable and whether W should be entitled to go elsewhere for representation. But W didn't do that. Rather it determined itself that it didn't agree with what the panel firm were advising and chose to instruct a different firm independently. In those circumstances, W's costs are their own to carry and not ones we would consider should be paid by ARAG.

- W says ARAG would always have had to pay the costs it incurred. I don't agree. If the merits of W's claim fell below 51% then ARAG would not have continued to fund its claim. Merits of a claim are assessed on an ongoing basis and are subject to change throughout proceedings. The fact that W achieved a favourable result doesn't mean that its claim had reasonable prospects of success, rather that it was successful. And in any event ARAG wouldn't have picked up any costs it didn't agree to. In this case the costs W is seeking are ones that ARAG didn't agree to. For those reasons I don't consider that ARAG need to pay them.
- W has asked ARAG to compensate it for loss of rent from its tenant, but this is not something its policy covers, nor am I satisfied that ARAG did something here that caused W loss, such as the loss of rents being claimed, are something ARAG are responsible for.
- W says the panel firm took an unreasonable stance in respect of its claim. That's not something I'm able to look at and neither is ARAG. If W remains unhappy it can complain to the Legal Ombudsman about the advice it received. And in the absence of a contemporaneous legal opinion to support that the panel firm took an unreasonable approach before W went off and incurred its own legal costs and that this was put to ARAG at the time, I can't say that ARAG did anything wrong here.

My final decision

For the reasons set out above, I don't uphold W's complaint against ARAG Legal Expenses Insurance Company Limited.

Under the rules of the Financial Ombudsman Service, I'm required to ask W to accept or reject my decision before 24 November 2025.

Lale Hussein-Venn
Ombudsman