

The complaint

Mr M, in his role as the director of O (a limited company) complains that Accredited Insurance (Europe) Ltd (Accredited) unfairly declined a claim made on a legal expenses insurance policy.

What happened

O holds legal expenses insurance with Accredited. O was providing its services to a third party, who I'll refer to as S. S terminated the contract after a dispute arose around tax assessments and liabilities. O wanted to take legal action to recover its losses as a result of the contract being terminated.

Accredited referred the matter to a solicitor who assessed the claim. The solicitor concluded that O's claim didn't have reasonable prospects of success, and so the claim wouldn't be covered in line with the terms and conditions of the policy. They also identified that another third party (C) had carried out the tax assessment but there was no cover provided by the policy for any action against C due to the limits of cover.

Mr M was unhappy about the conclusion that the claim didn't have prospects of success and, after his complaint was rejected, contacted our service. Our investigator thought that Accredited had acted fairly. Mr M didn't agree and asked for an ombudsman's 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.

Accredited has an obligation to handle claims promptly and fairly, and it can't decline claims unreasonably. It says it declined the claim made by O because an assessment by solicitors concluded the claim against S didn't have reasonable prospects of success, and that an alternative claim against the party who carried out a tax assessment (C) didn't have any relevant cover on the policy. Mr M doesn't seem to want to pursue a claim against C on the policy, but argues that the claim against S should be reassessed.

The policy terms and conditions say that a claim will be accepted provided that "We have assessed the Insured Person's claim and it has Prospects of Success," which is explained to mean that "Prospects of success will be at least a 51% chance of the Policyholder achieving a favourable outcome."

These types of conditions are common in legal expenses insurance policies, and aren't obviously unfair. It wouldn't be reasonable to expect an insurer to fund a legal action which a legal professional has concluded is unlikely to be successful.

Mr M disagrees with the assessment completed by the solicitors. Our service's role isn't to say whether the legal assessment is correct, or whether O's legal claim does have prospects of success. What I need to do is determine whether it was reasonable for Accredited to rely on the solicitor's assessment.

Our general approach to these matters is that it's usually reasonable for an insurer to rely on the assessment completed by a suitably qualified legal professional, provided that it's appropriately reasoned and doesn't contain errors of fact which would be obvious to a layperson. Insurers aren't legal experts, and should be entitled to rely on the opinion of a legal professional with regards to legal matters, including the likelihood of a legal action being successful.

In this case, the assessment was completed by a solicitor after reviewing the information provided by O. While brief, I'm satisfied the assessment highlights a particular condition of the contract which said that S could terminate the contract without giving a reason. They concluded that the likelihood of success was less than 51%, but didn't give a specific percentage.

Mr M has made extensive observations about why he believes the assessment to have been flawed, and why the tax status and liabilities had been wrongly assessed. The tax status seems to have been the reason for the contract being terminated. I don't intend to comment on all of these here, as they relate to a legal interpretation of regulations, obligations and the claim. It isn't my role to comment on the legal advice or merits of O's claim against S.

Mr M observes that a letter from S specifically removed a similar clause from the contract, but the evidence available suggests that no such undertaking was made with regards to the condition identified by the solicitor. It therefore follows that the solicitor has assumed that the condition remained in force, and regardless of the tax liability assessment, the condition which allowed S to terminate the contract would still be in effect.

The remainder of Mr M's points are, I'm satisfied, arguments as to why the legal justification for saying the claim didn't have reasonable prospects of success was flawed. They don't identify an error of fact in the assessment, outside of arguing that S made errors when it terminated the contract. That isn't the same as a fact relevant to the assessment. As I've outlined above, the primary reason for concluding that the claim would be unlikely to succeed was because of the specific contract provision allowing S to terminate it.

For these reasons, I'm satisfied that it was reasonable for Accredited to rely on the solicitor's assessment. That concluded the claim didn't have reasonable prospects of success. As that is a condition of the cover, the claim was declined fairly.

I wouldn't expect Accredited to continue covering the claim when a solicitor has assessed the claim didn't have prospects of success, simply because Mr M disagrees with that assessment. I know how strongly Mr M disagrees with the assessment. He'd be welcome to obtain a further legal opinion and submit this to Accredited to consider further. However, I'm not minded to ask Accredited to assist in obtaining or fund this further opinion. It can reasonably rely on the assessment which has been obtained, and the burden of demonstrating that the claim does have prospects of success shifts to O.

I'm also aware that Mr S is unhappy with the conduct of the solicitor, including believing their reasoning to be flawed, the length of time taken to complete the assessment and the level of communication around the prospects of success. As those are matters related to the solicitor's conduct in respect of the anticipated legal proceedings, I can't comment on these. Those matters don't relate to the contract of insurance, and so are outside the scope of our service's jurisdiction.

The solicitors did conclude that a claim against C for negligence did have reasonable prospects of success. However, no contractual relationship could be identified between C and O, and no section of cover was identified which could cover such a claim. Mr M doesn't appear to dispute this, and maintains that S breached the contract with O when it terminated

it. That aspect of the decision to decline cover isn't disputed and so I don't think I need to address this further.

My final decision

I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask O to accept or reject my decision before 8 January 2026.

Ben Williams
Ombudsman