

The complaint

Ms P and Mr S are unhappy about how a claim made on a legal expenses insurance policy has been dealt with by ARAG Legal Expenses Insurance Company Limited.

What happened

The details of the complaint are well known to both parties, so I won't go over them in full again here. Instead, I'll focus on providing my reasons for my decision.

In summary Ms P and Mr S made a claim to ARAG for assistance in pursuing a personal injury claim after they were injured in an accident abroad. ARAG appointed a panel solicitor to deal with the claim for Ms P and Mr S.

Ms P and Mr S are unhappy with how the panel solicitor have dealt with the legal claim, they don't feel any meaningful progress has been made. They asked ARAG is they could change solicitors and have the indemnity limit of the policy reset so the matter could be started again.

Our Investigator looked at the complaint but explained to Ms P and Mr S that she thought the actions ARAG had taken in response to their complaint was reasonable. The underlying legal case wasn't at a stage where court proceedings were imminent, so the policy didn't provide for Ms P and Mr S to be able to choose their own solicitor at that point. She said she thought it was reasonable that ARAG had raised their concerns with the panel solicitor and tried to help resolve them.

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 reviewed all the evidence available to me I agree with the conclusions reached by the Investigator for the following reasons:

My review is limited to the date ARAG issued its complaint response to Ms P and Mr S on 31 January 2025. I understand Ms P and Mr S' concerns about the panel solicitors have continued passed this point however in this decision I can only consider ARAG's actions up to this date. I understand these further concerns are being considered under a different complaint reference at this Service.

I have been provided with a copy of Ms P and Mr S' policy. It says, where legal representation is necessary a Preferred Law Firm will be appointed to deal with the insured's claim. And they will try and settle the claim by negotiation without having to go to court. It further goes on to say that if the Preferred Law Firm can't negotiate a settlement and it is necessary to go to court and legal proceedings are issued or, if there is a conflict of interest then the Insured may choose a law firm to act as the appointed representative. If the Insured does choose a different firm the terms make clear that if that firm doesn't agree to act on the same terms as Preferred Law Firms do, ARAG will only pay a rate of £100 an hour.

It's common for legal expenses insurance policies to contain such terms and they're consistent with the relevant laws applicable to freedom of choice. Regulation 6 of the Insurance Companies (Legal Expenses Insurance) Regulations 1990 says:

“where under a legal expenses insurance contract recourse is had to a lawyer (or other person having such qualifications as may be necessary) to defend, represent or serve the interests of the insured in any inquiry or proceedings, the insured shall be free to choose that lawyer (or other person)”

The phrase “any inquiry or proceedings” means when it becomes necessary to issue court proceedings, or proceedings in another formal place of inquiry, such as a tribunal. Ms P and Mr S' claim wasn't, as far as I can see, at a point where it had been litigated or was about to be when it was put to the panel firm or when they first raised their concerns about them. Rather the panel firm was attempting to negotiate a settlement with the other side. So ARAG wasn't wrong when it refused Ms P and Mr S' request at that point.

ARAG is an insurance company, and the policy effectively provides an amount of money to pursue certain legal disputes. The conduct of those legal cases is dealt with by Solicitors who represent the Insured person directly. As ARAG are not legal experts it is correct that they pass any concerns about the conduct of the solicitor to them directly to resolve. Solicitors are separately regulated, have their own code of conduct and complaints process.

Ms P and Mr S raised with ARAG that they didn't think their legal case was being handled well, they were concerned about how fast the allocated monetary allowance was being used and they didn't believe much progress had been made. It was correct that ARAG forwarded these concerns to the panel solicitor to resolve. Legal cases are rarely straight forward, especially where they are being pursued outside of the U.K. So, it was important that ARAG put the matter to the panel solicitor to help resolve the concerns. Up to the date I can consider in this decision, I think ARAG acted correctly in how it dealt with Ms P and Mr S' complaint and it did what it would have expected it to.

My final decision

My final decision is that I do not uphold Ms S and Mr P' complaint against ARAG Legal Expenses Insurance Company Limited.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms P and Mr S to accept or reject my decision before 7 November 2025.

Alison Gore
Ombudsman