

The complaint

S a limited company and residents association complains about what ARAG Legal Expenses Insurance Company Limited did after it made a claim on its residential property owners insurance policy. S is represented by its director, Mr K.

What happened

In January 2023 Mr K contacted ARAG on behalf of S seeking legal assistance to pursue a contractual dispute against a third party. ARAG referred the matter to a firm of panel solicitors (C). The following month C provided a case summary to ARAG which recommended S see if its buildings insurance would cover the necessary work. The following month Mr K said that claim had been declined. ARAG advised him to get back in touch with C.

In May C sought agreement to obtain a surveyor's report as part of an adjudication process. ARAG authorised that and approved a higher cost estimate in July. In February 2024 C said the expert report had been presented to the defendant and it now wanted to obtain counsel's opinion on next steps. ARAG agreed to that and further authorisation requests for counsel's advice in subsequent months.

In June Mr K contacted ARAG as he was unhappy with the progress of the claim. ARAG set out his concerns to C and requested an update from it on progress. C issued a response to Mr K. He was unhappy with that and ARAG contacted C again which confirmed his concerns would be reviewed by a commercial litigation partner. ARAG also agreed a second expert report could be obtained. At the start of October C said it believed Mr K's concerns had been addressed at a recent meeting and next steps would be agreed once the further expert report had been provided.

ARAG said it wasn't able to comment on the conduct of C or the legal advice it provided. However, it accepted there had been some delay in it responding to contact from Mr K and agreed to pay £75 in recognition of the impact of that on S. Our investigator thought ARAG had taken reasonable steps in response to the concerns Mr K raised with it about C. And the £75 it had offered appropriately reflected the inconvenience S was caused by the delays it was responsible for.

Mr K didn't agree. In summary:

- He didn't accept that following the appointment of C ARAG was no longer responsible for the way the claim was conducted and progressed. It continued to authorise costs and should have offered proper support in response to the concerns he raised. The steps it took didn't result in any meaningful progress being made with the claim and S hadn't received the service it was entitled to under the policy.

- As a result despite the claim being made in January 2023 no substantive progress had been achieved (and nothing had happened even after he complained to ARAG and our service). ARAG should have identified the claim was not progressing as it should and taken action to ensure it did. He didn't accept a new complaint would need to be made about issues that had arisen since ARAG issued its final response in November 2024.
- He queried whether ARAG's actions were in line with Financial Conduct Authority Principles and the requirement in the Consumer Duty rules to ensure fair outcomes for customers. He also raised concerns about delays by our service in dealing with the complaint and the response deadlines we'd set.

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.

The relevant rules and industry guidelines say ARAG has a responsibility to handle claims promptly and fairly. It shouldn't reject a claim unreasonably. Mr K has also referred to the FCA's 'Principles of Business' and its Consumer Duty rules. I've also taken those into account as applicable when deciding what's fair and reasonable in all of the circumstances.

It's clear from the correspondence I've seen this has been an extremely stressful experience for Mr K personally. I was sorry to learn about that. And I understand why he's concerned that, despite S making its claim to ARAG in January 2023, legal proceedings have not yet been issued in relation to it.

However, as I think Mr K is aware I'm not able to consider the actions of C when acting in its legal capacity. That's because I can only consider the covered activities set out in our rules (the Dispute Resolution Rules or DISP). Those activities include regulated activities. "*Carrying out a contract of insurance*" is a regulated activity. That's why I can consider what ARAG did here. But when acting in its legal capacity C aren't carrying out a regulated activity (and their actions aren't covered by any of the other activities we can consider). So concerns about the actions of C including the legal advice it provided or how long it took to progress the claim aren't something I can consider. As I think Mr K is aware the Legal Ombudsman might be able to look into any concerns he has about the actions of C.

I also understand the points Mr K has made about the responsibilities of an insurer once a panel firm has been appointed. But we don't consider insurers to be responsible for the way their panel solicitors carry out litigation on a day-to-day basis. Once the insurer appoints a solicitor its role is limited to funding the fees and disbursements and it doesn't have direct control over how the claim is being run. So we don't say the insurer should be responsible for how the solicitors handle the claim, unless there are obvious and avoidable delays in keeping the policyholder informed on the progress of the claim and the insurer should have been or was aware of those.

But where a policyholder raises concerns or complaints about the solicitor representing them we do expect the insurer to take some action in response to those concerns. That could, for example, include raising the policyholders concerns with the solicitor and obtaining some assurance the claim is being progressed appropriately.

I've thought about ARAG's action in this case with that in mind. The initial legal advice from the panel firm was that S should pursue a claim with its buildings insurer. I don't think ARAG had any reason to challenge that advice which doesn't appear unreasonable. Once the

buildings insurer had turned down the claim C advised an adjudication process was to be pursued and funding was agreed by ARAG for an expert report. Again I don't see ARAG should reasonably have raised further queries at that time as the claim appeared to be progressing satisfactorily.

C then advised in February 2024 counsel's advice was required on next steps as the other side hadn't engaged with the expert report. That was promptly approved by ARAG and again I don't see there was further action it should have taken at that time. In fact it only became aware of any concerns over the progression of the claim when Mr K got back in touch with it in June 2024 and said he was unhappy with the actions of C in relation to it.

As ARAG was then aware of a potential problem with the claim that was the point at which it did need to take further action in relation to it. I can see it set out the concerns Mr K had raised in a reasonably detailed email to C and asked for an update in relation to them. That led C to provide a response to the concerns explaining its position on them. As Mr K remained unhappy ARAG ensured his concerns were reviewed by a partner in C's commercial litigation department. Given Mr K's concerns were primarily focussed on the legal work C had carried out (and why that hadn't led to further progress with the claim) I don't think there were further steps ARAG could reasonably have taken in relation to them.

Where it's clear relations between a policyholder and solicitor have irretrievably broken down I would expect an insurer to consider appointing an alternative panel firm. ARAG did think about doing so in this case. But it appears to have concluded that as discussions between Mr K and C were ongoing that wouldn't be appropriate. And C told ARAG at the start of October it believed Mr K's concerns had been addressed following a meeting. So I think it was reasonable of ARAG to conclude the appointment of an alternative firm wasn't required.

I recognise Mr K has further concerns about a lack of progress with this claim since November 2024. And he doesn't accept he needs to make a new complaint about that in order for us to consider this. However, that is the case. Under our rules we can only consider a complaint once the relevant business has had an opportunity to respond to it. It doesn't appear Mr K has raised these new matters with ARAG so that isn't something I can consider in this decision. It's obviously open to Mr K to do that (and he can of course make further complaints to C as well). But for the reasons I've explained in this decision I don't consider ARAG was at fault in the actions it took in relation to this claim prior to November 2024.

I appreciate there were nevertheless some occasions when ARAG didn't respond to Mr K within its expected response timeframes. However, taking into account the nature and extent of those delays I think the £75 ARAG has already offered does enough to recognise the inconvenience S was caused by this.

Mr K has also raised some concerns about the service we've provided when dealing with his complaint. In this decision I can only consider the complaint he's made about ARAG. We have a separate process for dealing with complaints about our service. If Mr K wishes to pursue those concerns he can find further information about how to do so on our website (or he can obtain details from our investigator).

My final decision

ARAG Legal Expenses Insurance Company Limited has already made an offer to pay £75 to settle the complaint and I think this offer is fair in all the circumstances. So my decision is that ARAG should pay S £75.

Under the rules of the Financial Ombudsman Service, I'm required to ask S to accept or reject my decision before 9 January 2026.

James Park
Ombudsman