

The complaint

Miss R has complained about ARAG Legal Expenses Insurance Company Limited's handling of a claim she made under the legal expenses insurance section of her home insurance policy.

What happened

In April 2024, Miss R contacted ARAG to make a claim under her legal expenses cover, as she wants to take proceedings against her former employer. ARAG arranged for one of its panel of pre-approved solicitors to assess the claim. The panel solicitors advised that the claims Miss R wanted to bring against her former employer did not have a reasonable chance of success, as they were out of time. ARAG therefore said it would not cover the claim. Miss R was told it would reconsider the matter, if she got her own supportive barrister's opinion

Miss R was not happy with the advice of the panel solicitors and said that they had considered her employment rights in the Employment Tribunal but not any potential claims she could bring in the courts. Miss R complained to ARAG that she had been given conflicting advice about the cover available, as they told her it would only cover claims that would be heard in the Employment Tribunal, which was not correct. ARAG issued a final response to that complaint in November 2024. ARAG apologised and said it agreed that Miss R had been given conflicting advice and it should have asked the solicitors to consider all claims she might have. ARAG accepted this had caused delay in Miss R's claim progressing and said it would ask another firm of solicitors to review the merits of the claims she wanted to bring. ARAG also offered £150 compensation for the trouble caused.

The alternative solicitor instructed by ARAG said they could not consider any claims to be brought in the County Court or the High Court. Miss R therefore asked if she could provide her own barrister's assessment of the merits. After some discussion ARAG agreed to this in January 2025 and agreed to pay the cost.

Miss R submitted the barrister's invoice in February 2025 and says she had to chase payment for this several times. In March 2025, Miss R complained about the lack of contact. ARAG issued a final response letter to that complaint in mid-March 2025. It apologised for not dealing with the barrister's invoice promptly and offered £75 compensation for this. ARAG also paid the barrister so they could proceed.

The barrister's opinion was provided in April 2025. ARAG asked for some clarification and in early May 2025, the barrister confirmed that two of the three heads of claim Miss R wanted to bring had reasonable prospects but an expert's report would be needed for them to be able to advise on quantum. The barrister also said that a disability discrimination claim was likely out of time (or shortly would be) but an extension could be applied for.

It was agreed that Miss R could appoint the barrister on a direct access basis but subsequently it was agreed that the panel solicitors would act together with Miss R's barrister. Miss R asked that it be dealt with urgently but there was a delay in appointing the panel solicitors again and she raised another complaint.

ARAG issued a final response to that complaint in July 2025. ARAG confirmed it took nearly four weeks for standard terms of appointment to be sent to Miss R's barrister and that it had not responded to Miss R's communications, which led to a delay in the panel solicitors being appointed and confirming cover was reinstated. ARAG offered £150 compensation for this. ARAG also said it had taken time for the solicitors to carry out their professional checks and they would not proceed to reviewing the matter.

In response to the final response letter, Miss R said ARAG had failed to account for the fact that her disability discrimination claim was now out of time because of the delays on the part of ARAG and its panel solicitors.

ARAG asked the panel solicitors to comment on this. The solicitors said the disability discrimination claim would need to be brought in the Employment Tribunal, which is different to a breach of contract/negligence claim which they had been instructed to deal with. They said that usually claims under the Equality Act 2010 are excluded under the policy when dealing with a contractual dispute.

As Miss R remains unhappy with ARAG's handling of the matter and response to her complaints, she referred the matter to us. Miss R says there have been consistent delays throughout and despite the fact ARAG has accepted that it has made errors in its service, its mishandling continues to have serious consequences on her legal case and on her financially and psychologically. Miss R has made a number of points in support of her complaint. I have considered everything she has said and have summarised her main points below:

- ARAG appointed panel solicitors that wrongly assessed the claim based solely on Employment Tribunal jurisdiction. This caused delay that is continuing to impact her.
- ARAG failed to act promptly on the barrister's advice.
- ARAG failed to pay the barrister's invoice promptly and did so only after she chased payment several times
- ARAG delayed appointment of the panel solicitors who have still not confirmed they'll act pending professional checks.
- Due to ARAG's failure to progress the claim in a timely and competent manner, she has missed the deadline to bring a claim for disability discrimination. This is a fundamental and irreversible loss of legal rights.
- This has had a profound impact on her mental health. While the legal situation was already stressful, it was ARAG's prolonged mishandling, broken communication, and lack of support that pushed her situation into crisis. ARAG must be held accountable. In late 2024, just after receiving ARAG's final response letter, she was detained under the Mental Health Act.
- She has still not had written confirmation that her legal cover has been reinstated and the panel solicitors have not yet confirmed they are acting on her behalf.
- ARAG has offered token compensation but this does not reflect the gravity of the situation: a missed legal deadline, loss of potential compensation, a 28-day mental health detention, and ongoing severe distress.

Miss R asks that we award compensation that reflects both the financial and psychological loss incurred and require ARAG to take immediate action to progress her claim and confirm cover.

One of our Investigators looked into the matter. She said she could only consider the issues that had arisen since November 2024. Having considered everything the Investigator said she did not recommend upholding the complaint, as she was satisfied that ARAG had made

reasonable offers of compensation for what had gone wrong. The Investigator did not consider there was any evidence to link ARAG's actions with the medical issues Miss R was suffering.

Miss R does not accept the Investigator's assessment. She says she submitted her claim in April 2024 and got her barrister's opinion in April 2025. It cannot be acceptable that ARAG took a year to authorise her to obtain her own barrister's opinion. This was not a minor delay, and it directly led her to miss the deadline for the discrimination part of her claim.

Miss R also told us that in August 2025, she was detained again, due to the ongoing distress caused by ARAG's continued mishandling and delays. It is therefore incorrect to suggest that there is no clear evidence of impact on her mental health; the link between ARAG's failings and her deteriorating condition is undeniable. The impact on her mental health has not been considered properly and the compensation paid is not remotely proportionate

As the Investigator was unable to resolve the complaint, it has been passed to me.

For the avoidance of doubt, as the Investigator has already explained, I cannot consider the issues raised in Miss R's first complaint, which were answered by way of the final response letter in November 2024. Miss R had six months to refer that complaint to us but did not do so until July 2025 and ARAG does not consent to us considering that complaint out of time. I can therefore only consider what has happened since then, the ongoing delays she says have occurred in appointing barrister and panel solicitors and consideration of all aspects of her claim.

I understand that since the matter has been with us, the solicitors have advised they think the claims have reasonable prospects of success but further evidence is needed to substantiate the losses to Miss R and she has raised another complaint.

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.

I can see this has been a long-running issue for Miss R and I can see why she is frustrated with the progress. I can also see that Miss R has had serious health issues and I am sorry to hear what she has been going through.

However, having considered everything carefully, I agree with the Investigator that while ARAG has not handled the claim how she was entitled to expect, I think it has made a reasonable offers to settle the complaints and do not consider I can reasonably ask to it take any further action. I will explain why.

The relevant industry rules and guidance say insurers must deal with claims promptly and fairly, support a policyholder to make a claim, and not unreasonably reject a claim.

It is a pre-requisite of cover under Miss R's policy that the claim has reasonable prospects. It is a principle of insurance law that it is for the claimant to establish, on the balance of probabilities, that they have a valid claim under a policy – so this would include establishing that it has reasonable prospects of success. However, it is usual in legal expenses policies for the insurer to appoint panel solicitors to assess the prospects of a legal claim at its own cost, rather than insist on policyholders doing so at the outset of a case.

ARAG did just this when it instructed the panel solicitors to assess the merits of Miss R's claim. ARAG is generally entitled to rely on the solicitor's advice, as they are acting as independent professionals, even if they are appointed by ARAG.

As mentioned above, I cannot consider the fact that ARAG did not instruct the solicitors to consider the other claims available to Miss R (other than Employment Tribunal claims) or any other issues dealt with in the final response letter of November 2024. However, having said that, I can see that the delay caused by this has likely exacerbated the impact of the subsequent delays. So, it is a factor I can take into account as part of the overall context of this complaint.

It is not in dispute that there have been further delays on ARAG's part since November 2024, specifically in it agreeing to, and paying for, the barrister's opinion and reappointing the panel solicitors. Both parties are aware of what has happened, so I do not think I need to detail the exact sequence of events. I have to therefore consider what I think needs to be done to put this right. I cannot, however, generally consider the actions of the panel solicitors because, as mentioned, they are independent professionals and subject to their own regulatory body.

I acknowledge the additional delays on ARAG's part will have caused frustration and concern for Miss R. And as mentioned, the impact will have been exacerbated because they have come after other delays. However, having considered this carefully, overall I think the total of £225 compensation for this is not unreasonable and is in line with our awards generally.

Miss R feels very strongly that this does not reflect the impact on her. In particular, she says that ARAG's handling of the claim has significantly impacted her mental health and resulted in her being detained under the Mental Health Act.

I am very sorry to hear about all the issues Miss R has had to deal with. I accept that the frustration with delays would have exacerbated Miss R's stress and I note the timing of Miss R's first detention. However, there is no reliable independent evidence that this is the result of anything done wrong by ARAG. I note counsel's opinion stated that Miss R had a complex history of mental health difficulties. ARAG should be mindful of Miss R's health and condition and I would urge it to make sure the claim progress stays on track from now on, as far as possible. However, I do not consider that there is enough reliable evidence to establish that ARAG is responsible for the deterioration in Miss R's condition.

Miss R is also adamant that the delays have resulted in her missing the deadline to bring her disability discrimination claim.

ARAG did not address this directly in its final response letters of March and July 2025. It did however tell us that the solicitors suggested that a disability discrimination claim would be excluded because they are dealing with breach of contract claims. I make no formal finding on this point but would comment that there is nothing in the policy as far as I can see to support this.

ARAG has also since then issued a further final response letter about this point in October 2025. That letter says the deadline had passed in 2023, but this is not what Miss R's barrister has said. As this was not initially raised as part of the complaints resulting in the final response letters of March and July 2025, I cannot make any finding in this complaint about whether ARAG is responsible for the deadline having been passed, or whether Miss R has lost the opportunity to make the claim and therefore suffered any financial loss, or not. However, I would comment that the barrister's advice said Miss R could apply for an

extension to the time limit for the disability discrimination claim, so I would expect the solicitors to advise about whether it is possible to pursue this, if they haven't already.

For the avoidance of doubt therefore, Miss R can refer this matter to us to consider separately if she disagrees with the final response letter of October 2025. She should be mindful of the date of the final response letter about this.

Having considered everything carefully, it is apparent that ARAG has not provided the service that Miss R was entitled to expect overall. However, I consider it has made reasonable offers of compensation for the errors on its part and do not intend to make it do anything further.

My final decision

I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss R to accept or reject my decision before 11 March 2026.

Harriet McCarthy
Ombudsman