

The complaint

Mr A complains U K Insurance Limited's actions made him liable for adverse costs following a personal injury claim

What happened

Mr A was involved in a motor accident and claimed on his motor policy (which includes legal expenses cover) with UKI. In July 2018 UKI said instructions had been sent to a panel firm in relation to a personal injury claim. In November 2018 UKI contacted solicitors (E) who were now acting in relation to that. They confirmed liability in relation to the matter was disputed. UKI provided evidence it had obtained in relation to this to E. Subsequently it asked for its outlay in relation to the matter to be included in the claim.

Matters were progressed by E. However, in 2022 a judgement was reached against Mr A as no defence to a counterclaim had been filed by E. That also made him liable for adverse costs. UKI paid costs which related to the third-party vehicle (for which it was liable as Mr A's motor insurer). However, it didn't consider it was responsible for adverse costs. Mr A didn't agree. He believed E had been instructed by UKI and so it should be responsible for these.

Our investigator said it was unclear who had instructed E. However, even if Mr A had done so UKI was nevertheless aware E were dealing with the claim and had agreed to it progressing. He thought it had accepted he had a valid claim and hadn't told Mr A he'd need to use a panel firm for cover to be available under his motor legal policy. If it had done Mr A would likely have agreed to use a panel firm. He said UKI should pay any legal costs which the policy would have covered. And it should pay him £500 in recognition of the distress and inconvenience he'd been caused.

UKI didn't agree. It thought it likely it had informed Mr A his motor legal expenses policy couldn't assist with his claim because liability was disputed. And it didn't have any involvement in the subsequent appointment of E. It liaised with that firm about the claim but that wasn't unusual to prevent the position on that being prejudiced by any action it took.

I issued a provisional decision on the complaint last month. In summary I said:

The relevant rules and industry guidelines say UKI has a responsibility to handle claims promptly and fairly. It shouldn't reject a claim unreasonably.

Mr A's policy with UKI includes motor legal protection which can assist with the costs of obtaining compensation from a third party for injury following an accident. Where cover is available it says UKI will appoint a preferred law firm, solicitor or other suitably qualified person to represent the policyholder. In this case Mr A says UKI appointed E to do that. And if he'd done so he'd have chosen a firm in his home area.

However, E doesn't appear to have been one of UKI's panel firms or one it had any previous relationship with. It only discovered E was acting for Mr A following phone calls with the third party insurer and then Mr A. And at that point E had been acting for Mr A for some months. I don't know what prior contact there was between Mr A and E which led to that. But I'm not

satisfied UKI had any involvement with this process or that E were appointed to act for Mr A under the terms of his policy. I think it more likely Mr A agreed they could act for him.

I appreciate from November 2018 UKI was aware of that. But I don't agree its subsequent liaison with E meant it accepted a claim under Mr A's policy. I think it's reasonable of UKI to say in doing so it was seeking to ensure Mr A's position on that claim wasn't prejudiced by any action it took. And I don't think the fact it subsequently asked for its outlay to be included in the quantum of the claim meant that was now being progressed under the terms of the motor legal expenses policy.

I do think UKI should have been clearer with Mr A about the position with a motor legal claim when this was discussed in July 2018. UKI's notes suggest following that instructions were sent to a panel firm but there's no evidence of any contact being made with Mr A about this following that. I've thought about whether Mr A has lost out because that didn't happen. His policy provides cover where "you have a road traffic accident for which you are not to blame that involves your car". So for cover to apply liability for the accident needs to have been established. That wasn't the case here. I appreciate Mr A strongly believes he wasn't at fault but the third party disputed that. And in the subsequent months there was correspondence with the third party insurer in relation to this issue which remained unresolved.

What UKI should therefore have done was to explain to Mr A that his motor legal policy wouldn't engage until liability issues had been addressed. But even if it had done that he clearly believed he wasn't responsible for the accident and wanted to pursue a personal injury claim (which is why he agreed E could act for him). I think it likely he'd have done so even if UKI had given him clearer information about when legal expenses cover under his policy might engage. And matters would then have progressed as they did. So while there's clearly been a significant detriment to Mr A as a result of judgement being reached against him I think that primarily results from the fact E didn't lodge a defence to the counterclaim.

I appreciate as E has now been dissolved Mr A can no longer pursue a complaint against that firm. He may want to seek advice as to whether he could progress a claim with its professional indemnity insurers. However, for the reasons I've explained I don't think the adverse costs that were awarded against him are something I can reasonably hold UKI responsible for. Having said that I do accept that the failings I've identified on its part will have caused Mr A some avoidable confusion about the position with his motor legal expenses policy. In recognition of that I think UKI should pay him £150.

Responses to my provisional decision

UKI agreed to my recommendation. Mr A didn't agree. He set out his concerns in a call which I've listened to. He described the circumstances of his accident in 2018 and said it was UKI which had put him in touch with E. He thought the claim had been closed and didn't know about the court case. If he'd been able to represent himself he'd have won but as he didn't costs were awarded against him. He thought compensation of £500 should be paid and he should be reimbursed what he paid for costs (with no further payment to be made).

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.

I appreciate this has been a really difficult experience for Mr A. But the question I need to consider is whether that's because of something UKI got wrong. Mr A says it was because UKI were involved in the appointment of E. But he's not provided any further evidence in support of that. And it remains my view that's unlikely to have been the case. E weren't a firm with which UKI appears to have any previous relationship. It only found out they were acting for Mr A following a call with the third-party insurer. And if UKI had instructed one of its panel firms to progress Mr A's personal injury claim the contact he received wouldn't have been from E.

I know Mr A subsequently had costs awarded against him which he's having to repay. But in order for me to make an award against UKI in relation to that I'd need to be satisfied it was responsible for that happening. I don't think it was. In particular for the reasons I've already explained I don't think Mr A would have acted differently even if UKI had been clearer about the circumstances in which his motor legal policy could assist in July 2018. I do think it caused him some avoidable confusion about the position with that but it remains my view that £150 is a reasonable way of recognising the impact of that on him.

It does appear the primary reason for the award of costs against Mr A was because E didn't file a defence to the counterclaim which the third party had lodged. As I've said Mr A may want to seek advice as to whether he could progress a claim with E's professional indemnity insurers. But whether he can or not I don't think those costs are something which result from a failing by UKI. So it doesn't need to pay these.

My final decision

I've decided to uphold this complaint. U K Insurance Limited will need to put things right by paying Mr A £150.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr A to accept or reject my decision before 13 February 2026.

James Park
Ombudsman