

The complaint

Mr B complains that ARAG Legal Expenses Insurance Company Limited unfairly declined cover under his legal expenses insurance policy.

Where I refer to ARAG, this includes the actions of its agents and claims handlers for which it takes responsibility.

What happened

The detailed background to this complaint is well known to both parties, so I'll only summarise the key events here.

- In late 2024, Mr B made a claim on his legal expenses insurance policy, underwritten by ARAG, to pursue an employment dispute.
- ARAG instructed its panel firm of solicitors, who obtained counsel's advice. Counsel was of the opinion that a claim for whistleblowing detriment enjoyed reasonable prospects of success. So, ARAG accepted the claim, and its panel solicitors were appointed to act for Mr B under the policy terms.
- In early 2025, Mr B's employer requested he attend a stage four meeting under their governance and compliance procedures. He was told he could bring a legal representative, so he asked the panel solicitors to attend.
- ARAG said it wouldn't cover the costs of legal representation at this meeting because the policy doesn't cover internal procedures. It said if the meeting leads to an insured event, like unfair dismissal, it will consider cover at that time.
- Mr B raised a complaint, which he's brought to our Service. He says the policy doesn't exclude all internal procedures, only disciplinary hearings and grievances – neither of which is the process being pursued by his employer.
- Our Investigator didn't uphold the complaint. She was satisfied the circumstances of Mr B's situation fell outside the scope of cover available under the policy, so ARAG hadn't acted unfairly by declining funding.
- Mr B didn't agree. He says the internal process is a continuation of the same legal matter for which funding has been approved under the policy, as such ARAG should've covered the cost of his legal representation. He represented himself at the meeting and wants ARAG to pay him 55 hours work under the policy's hourly rate, amounting to £5,500.

As Mr B didn't agree with our Investigator, the complaint has been passed to me to decide.

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 done so, I've reached the same outcome as our Investigator, and for broadly the same reasons. Before I explain why, I wish to acknowledge the parties' submissions in respect of this complaint. Whilst I've read them all, I won't comment in detail on every single point that has been made. Instead, I'll focus on the key points that are relevant to the outcome I've reached. That's in line with our remit, which is to resolve complaints promptly and with minimal formality.

Mr B holds a legal expenses insurance policy which covers legal costs and expenses to pursue court action. It says:

"We agree to provide the insurance described in this section, in return for payment of the premium and subject to the terms, conditions, exclusions and limitations set out in this section, provided that...any legal proceedings, or any other proceedings to resolve the insured incident will be dealt with by a court, or other body which we agree to..."

The policy provides cover for employment disputes as follows:

"Employment disputes

A dispute relating to your contract of employment.

Please note that a dispute is deemed to have occurred once all employer's disciplinary hearings and internal grievance procedures have been completed."

Mr B says the meeting he was required to attend with his employer wasn't part of a disciplinary or grievance process. Whilst that may be the case, I'm not satisfied it was proceedings being dealt with by a court in order to resolve an insured event as required by the policy.

This was an internal procedure which, even if not expressly excluded, doesn't form part of the scope of cover available under the policy. As it's not an insured event, the legal costs associated with it aren't covered.

As our Investigator has explained, the absence of a peril or event from a specific exclusion does not mean that peril becomes insured under the policy. In the event of any claim under an insurance policy, it is the responsibility of the policyholder to demonstrate that an insured event or peril has occurred. An exclusion will only become relevant when an insured event has occurred, and an insurer wishes to rely on an exclusion to decline a claim. In such circumstances, the responsibility then falls on the insurer to evidence the exclusion applies.

The insured event for which cover is available is limited as follows: *"legal proceedings, or any other proceedings to resolve the insured incident will be dealt with by a court, or other body which we agree to..."*

Based on the information provided, I'm not satisfied the meeting Mr B requested funding for was an insured event. As such, I'm not persuaded ARAG acted unfairly by declining to cover the cost of Mr B's legal representation to attend it.

My final decision

For the reasons I've explained, I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 17 March 2026.

Sheryl Sibley
Ombudsman