

The complaint

X complains about what ARAG Legal Expenses Insurance Company Limited did after they made a claim on their legal expenses insurance policy.

What happened

In May 2024 X contacted ARAG seeking assistance from their policy with a claim against the freeholder of their property. They wanted them to take action against a fellow leaseholder for lease breaches which were impacted them. After obtaining further information and discussing the claim with them ARAG asked a panel firm to review whether the claim had reasonable prospects of success (a requirement of the policy).

The firm advised in July 2024 it wasn't currently able to assess that and proposed a 'Notice of Disrepair' should be served on the landlord first. Prospects could then be assessed if that didn't produce a positive result. X said they liaised with the panel firm in subsequent months providing the evidence it required. However, in December, and having reviewed that information, the panel firm said the issues predated the start of their legal expenses policy. As a result ARAG said it wouldn't be providing further funding for their claim.

Our investigator agreed the issues leading to this claim began prior to the policy start date. He thought ARAG was correct to say it wasn't covered. However, he thought the information X provided when they initially discussed the claim with ARAG should reasonably have led it to query this at that time. He didn't think that led X to miss out on legal assistance they'd otherwise have obtained because their claim was considered by the panel firm. But he accepted it would have been upsetting for them to be told seven months after their claim was made that it wasn't covered by their policy. He said ARAG should pay £150 in recognition of the impact of that on them.

ARAG agreed to do so. X didn't agree. They said

- ARAG should have assessed the claim correctly at the outset and hadn't provided them with clear information about the 'date of occurrence'. They were only able to provide limited information on their claim form and proper information wasn't gathered when they spoke to ARAG. They thought it should cover their claim as a result of its errors.
- They had a long term health condition but had committed time and available energy to gathering information the panel firm said was needed. Being told seven months later that the claim wasn't covered by their policy had wasted their time and caused them very significant distress which impacted their physical and mental health. They didn't think £150 was sufficient to recognise the effect of that on them
- As a result of what ARAG got wrong they'd missed limitation deadlines to take action in relation to the problems at their property meaning they couldn't now be resolved. If they'd been told at the outset their claim wasn't covered they'd have sought advice from a legal advice provider they'd already approached and had been denied the opportunity to obtain that assistance. If they had the limitation deadlines applying to their claim would have been met. They also said ARAG hadn't handled their complaint correctly.

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.

I've looked first at the terms and conditions of X's policy. I don't think it's in dispute the claim they wanted to bring is one that would fall within one of the insured events it contains and so is something it could cover. However, it's a condition for cover to be provided that *"the date of occurrence of the insured incident is during the period of insurance"*. And the policy defines 'date of occurrence' as *"the date of the event that leads to a claim. If there is more than one event arising at different times from the same originating cause, the date of occurrence is the date of the first of these events. (This is the date the event happened, which may be before the date you first became aware of it)"*.

In this case X took out their policy in January 2022. They've accepted the issues at their property (which have given rise to this claim) began prior to that date. And those issues (for example noise from another property) are ones they would have been aware of at that time. I think ARAG was correct to conclude their claim wasn't one their policy covered.

But ARAG should have established that when X made their claim. I recognise they're concerned about the limitations of its claim form but I think the key issue here is that after making their claim ARAG discussed it with them. I've listened to that call and I think the information X provided should reasonably have prompted ARAG to query when these issues had begun. If it had done it would have established cover wasn't available and X wouldn't have needed to wait until December 2024 to be told that.

I've gone on to think about the impact of that on them. I accept if X had been correctly advised about policy coverage they'd likely have sought legal advice on how to progress their claim elsewhere; they've provided us with details of an advice centre they'd approached. But I can't conclude that would have made a difference to the overall progression of their claim. I understand the evidence the panel firm asked them to gather was to support action against their landlord / freeholder. I think it likely any other legal provider they approached would have asked them to do the same. That might not have been required for an initial discussion but I think it would have been the case for more formal action. So they haven't missed out on legal support they would otherwise have been given. I do accept compiling that information put X to considerable effort (and their health condition made it particularly difficult for them) but I don't think having to do so results from what ARAG got wrong.

I'm also not persuaded it was as a result of what ARAG got wrong that X missed limitation deadlines either. It was only after reviewing the information they'd compiled the panel firm was able to advise that was a potential issue in relation to some aspects of their claim. I've not seen evidence a different legal advice provider would have been in a different position.

Nor is it clear to me X has missed out on the opportunity to take action in relation to their claim. The legal advice was that could be an issue and X has highlighted parts of their claim where they think that might apply. But the legal advice doesn't conclude limitation has expired (and my understanding is it might not have done if the claim related to continuing breaches of the lease).

Given that I don't think there are grounds on which I could direct ARAG to cover X's claim. But I do accept they should have been told much earlier it wouldn't be doing so. And although X made that point to ARAG it didn't address it when responding to their complaint., I accept that will have caused them avoidable distress and inconvenience. However, while I recognise this has been a difficult time for X I do think that some of the points they've made about that result from the actions of their neighbour (which would have existed regardless) rather than being caused by what ARAG got wrong. Taking everything into account, and on balance, I think the £150 our investigator recommended does enough to put things right here. That doesn't compensate X for the impact on them of the issues at the property. But it isn't intended to. That's because, for the reasons I've explained, I'm not satisfied there is a causal link between those matters and what ARAG got wrong.

My final decision

I've decided to uphold this complaint. ARAG Legal Expenses Insurance Company Limited will need to put things right by paying X £150.

Under the rules of the Financial Ombudsman Service, I'm required to ask X to accept or reject my decision before 12 March 2026.

James Park
Ombudsman