

The complaint

Mr M and Mrs P complain that INTACT INSURANCE UK LIMITED imposed restrictive terms for their solicitor's costs to pursue a claim under their legal expenses insurance policy.

Where I refer to INTACT, 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 May 2024, Mr M and Mrs P made a claim under their legal expenses insurance policy to pursue action against the vendor of their property.
- Intact instructed a firm of solicitors to assess whether the claim enjoyed reasonable prospects of success – which is a requirement of cover under the policy. The advice received in June 2024 was that it did not.
- Mr M and Mrs P provided further information in July and August 2024, but the solicitor's opinion remained unchanged. So, they obtained a barrister's opinion at their own cost, which was supportive of their claim.
- Intact didn't accept the barrister's opinion, because it didn't confirm prospects in percentage terms which was required to determine whether it satisfied the policy. It wrote to Mr M and Mrs P's chosen solicitors to obtain their opinion.
- In November 2024, Mr M and Mrs P's solicitors confirmed that they were of the opinion the claim enjoyed reasonable prospects of 51% or above.
- Based on this advice, Intact agreed to accept the claim and sent its terms of business to Mr M and Mrs P's chosen solicitor in order to appoint them to act under the policy.
- Mr M and Mrs P were unhappy with the terms of business as it restricted the solicitors' legal costs to £130 per hour, which they didn't think was reasonable. They raised a complaint.
- Intact maintained its position on the hourly rate. It said the policy clearly set out what the policy would pay for legal costs and that if Mr M and Mrs P's solicitor couldn't agree to those terms, it could instruct a panel firm of solicitors for them instead.
- Mr M and Mrs P brought their complaint to our Service. And during our enquiries with Intact in September 2025, it became apparent Intact wasn't the insurer for the policy year that this claim falls under and it had been dealing with the claim incorrectly. It passed the claim to the correct insurer to take forward.

- Our Investigator upheld the complaint. He recognised the distress Mr M and Mrs P have been caused by finding out they've been dealing with the wrong business for many months, and the inconvenience of having to start their claim again with the correct insurer. But given the similar policy requirements for legal expenses insurance policies, he felt the correct insurer would benefit from the work carried out so far. Based on this, he recommended Intact pay compensation of £300 – in addition to the £100 it had already offered for some unrelated delays.
- Intact accepted our Investigator's recommendation. But Mr M and Mrs P didn't. They've said the handover of their claim to the correct insurer has been extremely poor and there's been no continuity of case handling or understanding the background. They don't think the compensation recommended reflects the impact they've suffered.

As Mr M and Mrs P didn't agree with our Investigator, the complaint was passed to me to decide. And I issued a provisional decision.

My provisional decision

I've reached a different outcome to our Investigator. 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.

It's not in dispute that Intact has incorrectly handled this claim. Intact accepts it's not the insurer for the policy year that Mr M and Mrs P's claim falls under and it should have referred them to the correct insurer when it was first notified of the claim in May 2024. So I don't need to decide whether Intact has done something wrong – it has. What I need to decide is what it needs to do to put things right.

It's not our role to fine or punish businesses. So where a mistake has been made – like giving a customer incorrect information or accepting a claim that should've been declined – we wouldn't hold a business to that mistake and direct them to honour what they said. Instead, we expect the business to put the customer back in the position they would've been in had the mistake not been made.

That's difficult in this case, because Mr M and Mrs P has spent a considerable amount of time waiting for cover under their legal expenses insurance policy and they're now in a position where they'll have to start that process again with the correct insurer who has opted to do their own assessment on prospects and will have their own terms of business for non-panel solicitors. Unfortunately, the correct insurer wasn't prepared to rely on the prospects assessment that Intact accepted the claim based on nor are they willing to backdate cover to the time Mr M and Mrs P has spent dealing with Intact.

So Mr M and Mrs P has essentially lost 16 months to a policy that was never on risk for this claim. During that time, they've been incurring legal costs on a claim which Intact accepted was covered by its policy in November 2024 and for which the correct policy isn't prepared to cover.

For that reason, I'm persuaded it's reasonable for Intact to honour its mistake. By this I mean that it should pay Mr M and Mrs P's legal costs at £130 plus VAT per hour from the point it accepted the claim in November 2024 up to the point the correct insurer either takes over funding or declines cover. I understand from the correct insurer that they've offered to backdate cover to the date they received the claim on 10 September 2025. If Mr M and Mrs

P have paid these costs already, it should add 8% simple interest from the date they paid them to the date they're reimbursed.

In addition, I agree with our Investigator that Mr M and Mrs P should be compensated for the distress and inconvenience they've been caused. And I'm satisfied an additional £300 compensation – making a total of £400 – is fair in the circumstances.

Responses to my provisional decision

Mr M and Mrs P have provided more information on the impact they're experiencing. They've said the correct insurer isn't prepared to make interim payments or give approval for costs which have already been incurred. Because of this, Mr M and Mrs P have had to fund legal costs and disbursements upfront, causing a financial impact and uncertainty.

Intact has accepted my provisional 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.

Having reviewed the final submissions, I see no reason to deviate from the outcome explained in my provisional decision. I appreciate the detriment Mr M and Mrs P have been caused which is why I've awarded their legal costs for the time they were incorrectly pursuing their claim with Intact. If they're unhappy with the terms on which the correct insurer has instructed their chosen solicitor, they can raise a complaint which they can escalate to our Service in the same way they did this one.

My final decision

For the reasons I've explained, I uphold this complaint and direct INTACT INSURANCE UK LIMITED to:

- pay Mr M and Mrs P's reasonable and necessary legal costs incurred on their claim between 19 November 2024 and 10 September 2025 at an hourly rate of £130 plus VAT. If Mr M and Mrs P have paid these costs already, it should add 8% simple interest from the date they paid them to the date they're reimbursed.
- pay £400 compensation. If Intact has already paid the £100 it originally offered, if need only pay the remaining £300.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M and Mrs P to accept or reject my decision before 10 March 2026.

Sheryl Sibley
Ombudsman