

The complaint

Miss M complains that ARAG Legal Expenses Insurance Company Limited (ARAG) unfairly withdrew cover for a legal expenses insurance claim.

What happened

Miss M holds a legal expenses insurance policy provided by ARAG. In 2021 she made a claim seeking cover for her legal expenses arising from an employment dispute. The details of that claim aren't relevant to my decision here. She also holds separate cover with another insurer. It was been agreed that ARAG and the other insurer would share and have proportionate liability for the costs, subject to the policy terms and conditions.

Until 2022, Miss M was represented by a solicitor I'll refer to as C. She asked that her case to be moved to a different solicitor, F. ARAG agreed this. In 2024, Miss M said that due to a conflict of interest, it was no longer appropriate for F to represent her and so she wanted C to represent her again.

ARAG agreed this, but in February 2025 Miss M dismissed C so they were no longer representing her. In April 2025, she asked ARAG to cover costs for her representation by a third solicitor, R. ARAG declined to do so, referring to a policy condition which said that if she dismissed her appointed representative without good reason, the cover for a claim would cease.

Miss M complained. ARAG maintained its position that it wouldn't provide cover for further representation. However, it acknowledged there had been delays in communicating this to her and offered £150 compensation to recognise this.

Our investigator reviewed Miss M's complaint after she referred it to us. He thought ARAG's decision to withdraw cover was fair. Miss M didn't agree and so her complaint has come to me to make 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'm aware Miss M has referred to the other insurer accepting the appointment of (and costs of) R to represent her, and draws a distinction with ARAG's refusal to do so. I recognise this but my role here is to determine whether, in the circumstances, ARAG's actions were fair and reasonable. I haven't had sight of the other insurer's terms and conditions, or the communications it's had about these matters, and they aren't relevant to my decision.

The condition ARAG referred to in correspondence with Miss M about the change in representation says "If the appointed representative refuses to continue acting for you with good reason, or if you dismiss the appointed representative without good reason, the cover we provide will end immediately, unless we agree to appoint another appointed representative."

Insurers have a duty to handle claims promptly and efficiently, and not to decline or withdraw cover unfairly.

It's accepted that in 2024, when Miss M changed representation from F to C that ARAG made specific reference to this condition. That had the effect, I'm satisfied, of putting her on notice that ARAG wouldn't consent to a further change in representation without a good reason.

I also accept that both F and C have, throughout their representation of Miss M, said they are in a position to continue doing so – neither solicitor has said that they are unable, either through experience, resources or any other reason, to represent Miss M in her employment dispute.

I therefore have to conclude that each time her representation has been changed, this has been at Miss M's request and following her decision to dismiss her existing representation. In particular, I'm satisfied that when she dismissed C in 2025 (which is the most relevant dismissal of representation for the purposes of my determination, as I'll explain), she did so without first consulting ARAG.

I think the dismissal of C in 2025 is the most relevant to ARAG's decision, for a number of reasons. ARAG had agreed, in 2024, to fund Miss M's representation by C. If she hadn't dismissed them in 2025, it follows that she'd have continued to be represented by them, with ARAG funding that (subject to the policy terms and conditions). However, Miss M dismissed them and so, in line with the condition I've highlighted above, for cover to be afforded for a further representative's costs (in this case, R's) there needs to be "good reason" for that.

Miss M says her decision to dismiss C was because she was seeking to save costs and given the stage of her case at that time, she was willing to carry out the necessary work and representation herself. I note C's comments when she dismissed them, and they told ARAG that "this was something of a joint decision. I still think the claim will succeed (in respect of the unlawful disciplinary sanction she received), however, I felt I could not get behind all of the arguments the client was keen to pursue."

That email was sent in February 2025, so I'm satisfied it's a contemporaneous record of the reasons for C's dismissal. It would seem, therefore, that in part at least the decision to dismiss C was based on a disagreement about how the legal action should be conducted. The terms and conditions say a policyholder must "co-operate fully with us and the appointed representative and follow their advice at all times."

I'm therefore satisfied that the decision to dismiss C in 2025 wasn't based on a "good reason." While I note Miss C's view that her reason for dismissing them was to save costs, I think there's sufficient evidence to show that a disagreement about the conduct of proceedings was also a significant factor. I can't say that disagreeing with a legal representative's advice about how to carry out litigation is a good reason for Miss M to dismiss them from representing her.

I think this position is further supported by Miss M seeking to have R represent her in April 2025. I'm aware she attributes this to the level of experience of R in the relevant matters, but I accept C had suitable experience and an awareness of the case. I think the preference for R's representation is likely connected to C's previous disagreement with how the proceedings should be conducted.

I'll also address ARAG's response to the dismissal of F in 2024 (and move back to C as Miss M's representative), as this does have some relevance to the complaint. This is because following that change in representation, ARAG indicated it wouldn't consent to a further

change, referencing the relevant policy condition. I've considered whether it was fair to do so in the circumstances.

Miss M says she dismissed F as there were two conflicts of interest. The first was that a barrister who'd been approached to represent her and give advice had previously acted for the defendant in proceedings brought by Miss M's sister. Miss M had also started working with someone who was identified as a friend of F.

I understand Miss M considers these to be conflicts of interest, but I can't agree with that characterisation. I can't see why the circumstances of the barrister's previous work would prevent them from properly representing her in proceedings. Similarly, a friendship between F and a colleague of Miss M doesn't mean F couldn't properly represent Miss M. There's no suggestion that F breached Miss M's confidentiality in any way, improperly disclosed information to F's friend or that there was any real risk to the likelihood of her claim succeeding because of that friendship. I note that F didn't consider there was any reason why they couldn't continue to represent Miss M.

I've also considered an email sent by F to ARAG shortly after Miss M dismissed them. In that, it was indicated that a potential conflict had been identified but also that Miss M "was not happy" with the barrister's advice. F disagreed that the barrister's advice had been incomplete, inaccurate or otherwise not to the required standard.

I'm therefore satisfied that there's evidence (as with the dismissal of C in 2025) that Miss M's reasons for dismissing F was (at least in part) because she didn't agree with the advice given about, and conduct of, the legal proceedings. I don't think a "good reason" has been identified for that dismissal.

It therefore follows that ARAG's agreement to cover C's fees on an ongoing basis after F's dismissal is something they didn't (in line with the relevant condition) need to cover, but in the interests of protecting Miss M's interests and providing an appropriate level of service, they agreed to. I think it was entirely fair at that point to highlight the condition and also to specifically warn Miss M that they wouldn't agree to a further change in representation without a good reason.

This means I can make two important conclusions:

- The condition relating to ending cover where no good reason is identified for dismissing representation applies to Miss M's claim.
- No good reason was identified for the change in representation sought in 2025.

However, to conclude that ARAG acted fairly, I think that it needs to be demonstrated that there's a good reason to rely on the condition when withdrawing cover. It seems to me that the intention of such a condition is to try to limit ARAG's exposure to costs. Changing representation can incur additional costs as new solicitors will need time (and so incur costs) to get up to speed with the claim, including obtaining and reviewing the evidence already on file. That can lead to a repetition of work already carried out. The inevitable result of that is the possibility for delays (and so costs) to the claim. I think that's especially true when Miss M was seeking to appoint R, a solicitor who hadn't been involved prior to 2025, with regards to a matter which had been ongoing since 2021.

I therefore conclude on balance that ARAG acted reasonably when it withdrew cover for Miss M's claim in 2025.

ARAG has acknowledged that communication about this was unnecessarily delayed, and offered £150 compensation to recognise this. I think this is a fair offer. I know how eager

Miss M was to get ARAG's agreement to the change in representation in 2025, given that deadlines relating to her claim were approaching and she needed to be able to tell R that their costs would be covered by her insurers.

However, the decision ARAG reached was fair, and so a delay to a decision not to provide cover has a relatively limited impact on Miss M, as it hasn't exposed her to costs she'd otherwise have been covered for. While the decision should have been communicated sooner, I'm satisfied it was a fair decision. £150 suitably recognises the impact of the delay.

My final decision

I don't uphold Miss M's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss M to accept or reject my decision before 30 April 2026.

Ben Williams
Ombudsman