

The complaint

Mr R complains about the decision UK Insurance Limited trading as Direct Line (UKI) made to decline his claim under a legal expenses insurance policy.

What happened

Mr R was entitled to cover under a UKI legal expenses insurance (LEI) policy. He made a claim for cover to pursue a third party for breach of contract in relation to the sale of a property he owned. UKI declined the claim on grounds that it wasn't covered under the policy since the breach of contract claim didn't relate to the sale of his "**home**". UKI originally relied on an exclusion as well but later accepted it didn't apply.

Mr R complained. UKI didn't uphold his complaint but offered to pay £150 for failing to register his complaint and responding to it initially. Mr R didn't accept that outcome and brought his complaint to the Financial Ombudsman Service.

He said, in summary:

- the property he'd sold should be treated as his main home under the LEI policy;
- it had been the only property he'd owned and although it had been rented out previously, it had been vacant for the previous six months and he'd been paying the bills;
- although he lived in the property mentioned in the policy schedule with his partner, he had no insurable interest in it - but he was entitled to the LEI cover;
- UKI had updated the policy terms and conditions at renewal and hadn't pointed out relevant changes when they did;
- the policy was ambiguous and UKI unfairly interpreted it in their favour; and
- the length and complexity of the policy wording meant it wouldn't be fair to expect him to have understood the cover it provided.

Our investigator didn't think UKI had acted unfairly in handling the claim or that they had declined it unreasonably. He said Mr R's dispute with the third party didn't relate to the home as defined in the policy. And he didn't think the policy was ambiguous or unclear. Since Mr R didn't agree, his complaint's 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.

I'm sorry to hear of the problems Mr R had with the third party. And I note his strength of feeling about this complaint. But having considered everything carefully, for reasons that are broadly the same as our investigator's, I don't think UKI have acted unreasonably or treated him unfairly. I'll explain why.

In line with Financial Conduct Authority (FCA) principles we expect insurers to take account of the information needs of their clients and communicate with them in a way that is clear,

fair and not misleading. Under the FCA rules relating to insurance we expect them to handle claims fairly and promptly and not to decline claims unreasonably. I've considered what happened bearing that in mind. The starting point is the LEI policy.

Subject to the terms, conditions and exclusions set out in the policy, Mr R had cover of up to a certain limit to pursue claims in relation to the events the policy covered. The relevant event here was "**Contract disputes**", which said:

*"We will pay **costs** for breach of contract claims for:*

...

- *Buying or selling **your home**...*

We don't cover claims arising from or relating to:

...

Contracts connected with a profession, business, trade or venture for gain..."

"Home" was defined as *"The main residence occupied by **you**, at the address shown in **your schedule**..."*

Although UKI initially relied on the exclusion I've set out, they agreed later it didn't apply. So, I won't consider it further.

Mr R's said, broadly, the FCA expects a policy to be worded in a way that an average customer can understand. He's told us he has a learning difficulty. He's said he was told initially that his claim would be covered, but UKI changed their minds. He's suggested the policy changed from its original wording and UKI failed to communicate those changes. And he's made several points about why the property he sold should be covered, as I've mentioned already. I've considered all the points Mr R's made in reaching my decision.

I can understand it was disappointing when UKI told him there was no cover after initially saying there was. But it wouldn't be fair to ask UKI to cover a claim based on a mistake they made in checking policy cover when he made the claim. What's important is the cover the policy provided and whether they reasonably declined the claim based on that.

UKI have explained a policy booklet setting out the terms and conditions would have been issued when the policy was first taken out; any changes to the policy wording would have been communicated at renewal; and the wording they've provided would have reflected any changes and applied at the time Mr R made his claim. I think it's reasonable to rely on the policy wording UKI have sent given the explanation and information they've provided. Importantly, an updated policy schedule was sent each year setting out details of the **"home"** that fell within the policy definition.

The policy extracts Mr R sent in relation to another complaint – though incomplete – aren't substantively different. Based on what he's provided, I don't think the outcome would have been affected even if I thought it was right to consider the version of the policy Mr R is referring to instead.

I'm not aware Mr R made UKI aware of any adjustments he might need to help him understand the policy more easily, so it wouldn't be fair to expect them to have done so. Although the policy is lengthy, the key issue is whether it was clear, fair and not misleading.

The policy wording here was clear and unambiguous. Cover was only provided to pursue a breach of contract claim in relation to the sale of the **"home"** as defined in the policy. And it was clear that the **"home"** was the property set out in the policy schedule where Mr R lived

with his partner.

The fact that Mr R didn't own the property in the schedule, that he had only owned the property he sold and that the property he sold was no longer being rented out/he was paying the bills makes no difference. His own property didn't meet the policy definition of "**home**", so the claim he wished to pursue in relation to it wasn't covered.

In all the circumstances UKI fairly declined the claim. And, whilst I understand Mr R will be disappointed, I don't uphold his complaint.

UKI accepted they hadn't set up Mr R's complaint when they should have done. Our investigator explained we couldn't consider a complaint about that. But I understand UKI has arranged to make the payment they proposed to compensate Mr R.

My final decision

For the reasons I've explained, I don't uphold Mr R's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr R to accept or reject my decision before 30 August 2023.

Julia Wilkinson
Ombudsman