

The complaint

H, a company, complains about a claim it made on the legal expenses section of its business protection policy to U K Insurance Limited, trading as Direct Line for Business ('DLB').

The complaint is brought by Mr B on behalf of H. Mr B says that H was treated unfairly.

What happened

H made a claim on the legal expenses section of its business protection policy for cover to bring two claims- one in respect of allegations of fraud against Mr B in his capacity as Director for H, and another in respect of a debt owed to H for £1.5m.

H's complaint is essentially that DLB caused delays in dealing with both claims which meant that at the time its complaint was brought to us, neither had been assessed and no progress had been made. Mr B says the delays have caused a significant risk to H as a business as it could be wound up if it's not able to properly defend the claim of fraud or pursue the debt owed to it because it owes money to its own suppliers which it is having difficulty paying.

DLB accept they caused a slight delay to H's claim progressing. This was because they put the claim on hold whilst they asked Mr B for some information about H's business activities. After Mr B replied to those questions, DLB failed to confirm to their claims handlers that they were satisfied with the information Mr B gave and that the claim could proceed. DLB have offered H £50 in compensation for this delay. Mr B doesn't think this is enough and says that it doesn't fully compensate H for the delay and inconvenience of having to chase things themselves in order to get the claim back on track.

H was also unhappy with how the claim had been handled by DLB's claims handlers, but those issues have been considered and assessed by an investigator separately and DLB, as underwriter of the policy, has agreed to put things right. As such I won't be commenting on this further in this decision.

Our investigator considered H's complaint in respect of DLB's specific actions and thought the complaint should be upheld. DLB doesn't agree so the matter 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 agree that H's complaint should be upheld for broadly the same reasons referred to by the investigator in his view.

DLB accept their actions caused a delay in H's claim progressing, but they say they've adequately compensated H for this by offering to pay it £50. The investigator said that this isn't enough and that £150 is more appropriate. This complaint has been referred to decision

to determine that issue.

Broadly the investigator thought that DLB needed to do more to communicate both with H and its own claims handlers to explain that the claim could proceed when DLB was satisfied that it had everything it needed for this to happen. Because it didn't, Mr B was left to chase DLB's claims handlers to find out what was happening, who said they were still waiting to hear from DLB. Mr B then passed on an email from DLB to the claims handlers confirming that they'd completed their checks.

DLB says that it didn't have to get in touch with H at all to explain they were pausing its claim until they'd completed their checks satisfactorily and this was something their claims handlers should have done. They've pointed to their policy terms which sets out the claims handlers are instructed to handle the claim on their behalf. They feel strongly that their offer of compensation is sufficient and that £50 is enough to compensate H.

I've considered everything but I don't agree with DLB. It's correct that most insurers instruct claims handlers to act on their behalf and have little or no contact with their policyholders once a claim is made. But that wasn't entirely the case here. In September 2022 DLB wrote to Mr B directly asking for details of H's business activities in order to ensure that cover was in place. At the same time, they asked their claims handlers to put H's claim on pause. Mr B responded the same day to that request. The information provided satisfied DLB that cover was in place. DLB confirmed this to Mr H by letter two weeks later. What they didn't do however was tell their claims handlers they could continue with the claim, so Mr B was left thinking that the information he'd provided DLB with was enough and that everything was now in hand.

It wasn't until sometime later when Mr B chased the claims handlers for action on H's claim that he discovered DLB hadn't in fact told them they could continue with the claim. In response to that Mr H forwarded the claims handlers DLB's recent letter. It wasn't til after that that the claims handlers started to progress things.

Whilst I recognise DLB aren't claims handling for themselves, they do owe their policyholders a duty of care. In this case that would translate to treating them fairly to ensure a smooth claims journey and for that to happen, they needed to ensure that they had communicated effectively with both Mr B and their claims handlers to allow the claim to progress. So, although DLB see their omission to communicate with their claims handlers as a small failing - worthy of £50 in compensation- the impact on their customer is in my view worth of more. It also doesn't take into account the fact that DLB misled Mr B in its letter to think its claims handlers were aware of the position now and would pick up and run with the claim, when this wasn't correct.

The claims H needed to defend and pursue were clearly pressing for the reasons it's mentioned. As such it needed assistance promptly. And ultimate delay to the customer wasn't two weeks as contended by DLB but closer to four by the time Mr B discovered that DLB's claims handlers weren't aware they could proceed with the claim and had satisfied themselves they had agreement from DLB to do so. Because of this I agree that DLB should do more to compensate H for its actions and the impact of them- particularly the delay at a time when H needed prompt assistance.

Putting things right

DLB should pay H £150 in recognition of the delay it caused by failing to tell its claims handlers they could proceed with the claim after they told them to pause dealing with it. I've set out the impact of those actions on H more specifically above.

My final decision

For the reasons set out within this decision I uphold H's complaint against U K Insurance Limited, trading as Direct Line for Business and direct it to put things right by paying H £150.

Under the rules of the Financial Ombudsman Service, I'm required to ask H to accept or reject my decision before 10 August 2023.

Lale Hussein-Venn
Ombudsman