

The complaint

Ms C complains that Royal & Sun Alliance Insurance Limited (“RSA”) would not agree to separate indemnity limits for claims she made on her legal expenses insurance policy.

What happened

Ms C made claims on her policy to cover the legal costs of proceedings against her former employer.

The first claim against her employer related to a redundancy process that took place in 2020, as a result of which Ms C was demoted to a more junior role. Cover was provided for that claim.

Ms C then brought a second claim in relation to disability discrimination arising from events from August 2022 onwards, following Ms C’s return to work from sick leave. The third claim relates to further examples of disability discrimination and unfair dismissal after the employer dismissed Ms C.

Ms C settled the first claim with her employer but continued to pursue the second and third claims in the employment tribunal. The policy has an indemnity limit of £50,000. RSA said the claims were all connected, so there was one limit of £50,000 for all three. Ms C complained but RSA didn’t change its decision, so she referred her complaint to this Service.

RSA says that as the limit of £50,000 has been exhausted, there is no further cover available. Ms C’s solicitors say they accept the second and third claims are connected because her dismissal arose from the employer’s treatment of Ms C on her return to work after a long period of sickness absence. But they say these are distinct from the first claim, which concerned the redundancy process in 2020. So there should be a separate indemnity limit of £50,000 for these claims.

Our investigator said it was fair for RSA to provide one indemnity limit for all three claims, as the events that led to the claims were connected. So it was reasonable for RSA to consider the claims arose from or were related to the same circumstances or series of circumstances.

Ms C disagrees and has requested an ombudsman’s 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 industry rules and guidance say insurers must deal with claims promptly and fairly; support a policyholder to make a claim; and not unreasonably reject a claim.

The policy provides cover for Ms C’s claims but, as with all insurance, this is subject to the policy terms and conditions. The relevant terms say that for any one claim, “*we cover you up to the legal expenses limit shown on your Policy Schedule.*” The limit for Ms C’s policy is £50,000.

The policy defines “*any one claim*” as follows:

“All legal actions and criminal prosecutions including appeals or any subsequent disputes, which arise from, or are related to, the same original cause, event, circumstance or series of circumstances.”

RSA says this was all one series of related events. I’ve considered whether that was a fair conclusion to reach.

The test, as set out in the policy term above, is whether the second and third claims “*arise from, or are related to*” the same cause, events or circumstances as the first claim.

The first claim concerned a redundancy process in 2020 and change in Ms C’s job. The tribunal documents for the later claims refer directly back to that. She alleges various forms of discrimination by her employer, which include discrimination related to a disability. That stems from Ms C being diagnosed with anxiety and work-related stress in 2020, as a result of what happened then. So the later events followed on from the earlier ones and there’s a clear connection between them.

In these circumstances, it was reasonable for RSA to conclude this was one series of related events that arose from the same original circumstances.

I appreciate Ms C’s solicitors say they are separate. They point out that the first claim was settled and the later claims were dealt with separately. But the issue is not whether they were separate legal causes of actions, but whether they arose from related events or circumstances, as defined in the policy terms.

The policy term refers to events arising from the same original clause or circumstances. It seems to me the key question is whether the initial event (related to the redundancy threat and change of job) was the start of a chain of events which led to the subsequent claims being made. The later claims concerned issues arising from Ms C’s ill health and request for reasonable adjustments. And those health issues stemmed from her earlier treatment. It would be difficult to say the later claims are entirely separate from the previous matters - there’s no clear cut off point between the issues that gave rise to her initial claim and the later claims. There was an ongoing series of events, which were all related. The later events would not have happened but for the earlier ones.

Ms C has been through a very difficult situation, which affected her health and led to the loss of her employment. She’s had to pursue a number of claims in the employment tribunal. And I appreciate the claims contain different elements. But the question I have to consider is whether those claims have arisen from the same original cause, event or series of circumstances. For the reasons I’ve explained I think RSA has acted in line with the policy terms in saying that they do and a single indemnity limit of £50,000 should apply to all three of them. And I think it was fair to do.

My final decision

My decision is that I don’t uphold the complaint.

Under the rules of the Financial Ombudsman Service, I’m required to ask Ms C to accept or reject my decision before 4 April 2025.

Peter Whiteley
Ombudsman