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Dear Aaron

Thank you for your letter of 17 December 2025.

We understand the difficult position of businesses that have suffered losses during the Covid pandemic and know how important it is that their claims are handled promptly and fairly. The litigation around Covid business interruption claims has raised many complex issues and taken a considerable amount of time. We recognise the challenges this has caused many businesses. We continue to supervise insurers against the requirements of the regulatory system, including in relation to business interruption claims. Where firms may not be complying with those requirements we will consider taking action accordingly.

You have asked the FCA ('us') to consider:

1. Reinstating our 'stop the clock' guidance, with specific reference to more recent test case litigation including London International Exhibition Centre v RSA and Bath Racecourse v Liberty Mutual;
2. Requiring firms to confirm that they will not decline Covid-19 Business Interruption (BI) insurance claims on the basis that any relevant time period has expired (including, but not limited to, any applicable period imposed by the Limitation Act 1980); and
3. If the Supreme Court reverses the current position on deduction of furlough receipts in Bath Racecourse v Liberty Mutual, requiring firms to revisit all previous claims settlements to ensure that policyholders are made whole to the extent required by the decision, without regard to whether any further claim may otherwise be time-barred.

You have also suggested that our interventions to date in relation to business interruption insurance following the pandemic have given rise to a legitimate

expectation that we will continue to take appropriate steps to support the SME policyholder community and prevent unjust avoidance of policy coverage.

Summary of our position

We have summarised our position in relation to ongoing issues relating to BI claims which are the subject of litigation on our website at [business interruption pages]. We consider that this continues to be appropriate. In particular, the following extract sets out our expectation of firms:

"When new court rulings are published, firms will need to consider carefully how the ruling may impact the interpretation of their policies, and their claims and complaints handling, considering their obligations to their customers.

Where it is identified that a new court ruling has a possible wider beneficial impact for customers, we expect firms to provide either:

1. details of any proposed remedial action to ensure that the beneficial impact of the final outcome is applied to similar groups of customers, and/or those customers potentially affected, and/or
2. where appropriate, reasons why such remedial action may not be carried out.

Where it has been determined that a new court ruling has no wider beneficial impact, we would expect firms to explain to their customers why it was considered that there was no wider beneficial impact to other potentially similarly impacted, or other potentially affected, customers.

Where firms decide not to reopen claims – for example, because they consider they would have reached the same outcome even applying the reasoning in the new ruling – we expect firms, in appropriate circumstances, to be open and transparent about their reasons for doing so. Customers should be given a chance to consider those decisions and complain if they disagree with them."

We do not agree that the FCA's interventions to date have given rise to a legitimate expectation in the way you describe.

In light of the above, we are not at this stage proposing any further interventions. However, we continue to supervise firms to ensure they are meeting our expectations.

Further detail by reference to the requests made

We set out our responses to each of the specific requests and points from your letter.

Reinstating our 'stop the clock' guidance, with specific reference to more recent test case litigation including London International Exhibition Centre v RSA and Bath Racecourse v Liberty Mutual.

Our expectations of insurers make clear that firms will need to consider how new court rulings affect claims they have already decided and whether to reopen those claims, considering their obligations to their customers, including their obligations under our rules. Where a new court ruling has an impact for customers we expect firms to provide details of their proposed remedial action to those potentially affected, and/or where appropriate, reasons why such remedial action may not be carried out (for example, because firms would have reached the same outcome even applying the reasoning in the new ruling). Customers should be given a chance to consider those decisions and complain if they disagree with them.

In practice this means that where claims have already been made in line with the time limits required by the policy but have been inappropriately rejected or under-paid in light of the new ruling those will need to be looked at to see if remedial action is appropriate in line with the expectations set out above. Where a claim has not yet been made at all, given the nature of the issues that are being determined by the ongoing litigation, it is not clear why a firm would not be able to consider relying on relevant time limit pre-conditions set out in policy terms for making a claim. That said, firms will need to take into account the particular circumstances of each claim, and ensure they are complying with our rules when doing so.

If there are wider issues with the approach a particular insurer is taking or not taking which suggests they may not be complying with FCA rules, we will consider whether it is appropriate to use our supervisory powers.

Requiring firms to confirm that they will not decline Covid-19 BI claims on the basis that any relevant time period has expired (including, but not limited to, any applicable period imposed by the Limitation Act 1980)

In addition to our reply to the first request above, we consider that any re-consideration of claims and their reassessment would need to be carried out in line with firms' obligations under our rules. This includes, as applicable, specific rules on claims handling and higher level rules including the Consumer Duty. We would expect firms to apply these rules when considering how particular policy terms should be applied in a particular context to avoid unfair outcomes.

We do not have powers which expressly envisage mandating how firms conduct litigation including that they agree to not raising any limitation defence that is lawfully open to them. Also given that our focus is on considering how firms respond to new rulings against the requirements in our rules, as set out in this letter and on our website, we do not consider it appropriate to intervene at this stage. Therefore, policyholders or their advisers themselves need to consider what may be a prudent course of action for them in relation to any litigation they may be considering, in particular given the impending time limits you have highlighted in your letter.

In the event that the Supreme Court reverses the current position on deduction of furlough receipts in Bath Racecourse v Liberty Mutual, require firms to revisit all previous claims settlements to ensure that policyholders are made whole to the extent required by the decision, without regard to whether any further claim may otherwise be time-barred.

We expect that where claims have already been made in line with the time limits required by the policy but have been inappropriately rejected or under-paid in light of the new ruling those will need to be looked at in line with our expectations.

Any consideration of claims and their reassessment will need to be carried out in line with firms' obligations under our rules. For affected claims, where full and final settlements have been agreed, insurers would need to review the information provided to customers, to ensure that it was in line with FCA rules (for example that it was clear, fair and not misleading). Customers should be given a chance to consider any decisions and complain if they disagree with them.

You have also suggested that the FCA has created a legitimate expectation that we will intervene.

We do not agree with this for the following reasons.

Given the highly specific and unusual circumstances of our intervention to bring about the business interruption test case arranged by the FCA (the Test Case), we do not accept that firms or policyholder groups should reasonably have relied on that to expect the FCA to intervene in subsequent related litigation. We have to consider the efficient and economic use of our resources in light of our ongoing priorities, including those set out in our strategy and business plan.

The Test Case resolved a substantial number of disputes between policyholders and insureds regarding business interruption insurance claims relating to Covid-19. The principal reason for the FCA's intervention at the time was to facilitate the resolution of the significant and widespread legal uncertainty in the market at the time which therefore engaged our market integrity objective (as well as our consumer protection objective).

Following the resolution of the test case, we stopped providing regular updates to the guidance and statements for policyholders. We stopped publishing business interruption claims data in March 2023. As evidenced by the litigation you refer to, since the Test Case, policyholder groups are using the court process effectively to resolve disputed issues that were outside the scope of the Test Case. We therefore do not consider our market integrity objective is engaged as it was at the outset of the Test Case, where urgent action was needed to resolve widespread disputes and legal uncertainty across a significant number of policies and policyholders.

We have not seen any evidence that any of the insurers' behaviour is in question from a regulatory perspective, namely in a way that suggests a firm may be acting in breach of our rules. If there are concerns in this regard then, depending on the issue and the circumstances, we invite you to share that with us so we can consider it further.

Yours sincerely,

Graeme Reynolds
Director, Competition and Interim Director, Insurance