

... although financial services providers might have moved on – I don't think customers have

Natalie Ceeney, chief executive and chief ombudsman



ombudsman news

essential reading for people interested in financial complaints – and how to prevent or settle them

the power of listening

I often go along to financial services events and conferences. It's a really important part of my role at the ombudsman.

Getting out and talking to people gives me the opportunity to share observations based on what we're *seeing*.

But it's also an opportunity for me to hear how people are feeling about the work we're *doing*. To be honest, the feedback's usually mixed – some positive, some not so positive. But I want to hear it.

I also think the "conference circuit" is a good barometer of the mood of the various sectors we have a relationship with.

The themes, speeches – and the chat around the edges – inevitably reflect the spirit of the time.

And I've noticed a shift recently. I'm hearing more and more of the right words from the financial sector about what it wants to do to turn things around. Over the past year I've been hearing an increasing commitment to treating customers well – and restoring trust. It's great to hear that.

But although financial services providers might have moved on – and are thinking about new products, better sales approaches and clearer pricing – I don't think customers have. It's like any relationship where trust has been broken. It can take a long time to forget what's happened, move on and be willing to accept promises at face value.



Financial

Ombudsman Service



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► In this context, most of my conference speeches at the moment focus on the power of listening – and rebuilding trust by setting new standards. It’s a drum I’m banging unashamedly. Because I believe it’s the only way to strengthen and rebuild relationships with a consumer base which – like the financial sector itself – has taken some hard knocks over the last decade.

So what does this mean in practice? I think it means stepping away from the stereotyped “complaints” label.

Last year the regulator reported that over five million “complaints” were made about financial businesses. That’s five million comments and observations on the service provided by banks and other financial businesses. This feedback could inform new ways of working, new products, better services, and a new relationship with customers.

But too often, that doesn’t happen. These customers’ feedback gets subsumed by a complaints infrastructure that’s slow, bureaucratic and unlikely to “live the brand” of the business concerned.

And which costs the financial services sector a lot – financially and reputationally.

So at a time when financial institutions are looking to change perceptions and to stop the “cycle of scandal”, could the answer lie in the feedback that customers are giving – day in, day out, for free? Study after study shows that customers are *more* loyal if something that’s gone wrong gets fixed, than if they had never had a problem in the first place.

If we listen carefully to what they’re saying, those customers written off as “complainants” might just be the key to matching your marketing aspirations with customer reality.

Natalie Ceeney
chief executive and
chief ombudsman

... customers are more loyal if something that’s gone wrong gets fixed, than if they had never had a problem in the first place

Financial Ombudsman Service

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London E14 9SR

switchboard 020 7964 1000

consumer helpline

Monday to Friday 8am to 8pm *and*
Saturday 9am to 1pm
0800 023 4567 or 0300 123 9 123

technical advice desk

020 7964 1400
Monday to Friday 9am to 5pm

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credit cards

At this time of year, many consumers will be taking on credit for the first time – as thousands of students take on credit cards to help pay their way through university or college.

As with any financial product or service, it is important that people understand what they are signing up to – and what they need to do to keep things running smoothly with their credit card.

For many consumers, credit cards can be a useful way of managing their money. But things do go wrong with credit card accounts – and we often find that people come to us with familiar issues like disputed transactions, fees and charges, and problems with promotional offers.

We also see complaints from consumers who aren't happy with the quality of goods or services they have bought with the credit card – and are looking to their card provider to put things right under section 75 of the Consumer Credit Act.

As you might expect, over the last few years we have seen more cases involving consumers who were struggling to make the minimum monthly payment on their credit cards. Three of the following five case studies illustrate typical situations where consumers have been struggling with their finances.

So far this financial year we have received around 5,000 complaints about credit cards – and we are currently finding in favour of the consumer in about a third of those cases. You can find more information about the cases we have received over the last six months on page 10.



case study 113/01

consumer complains that bank removed promotional interest rate on her credit card unfairly

Mrs C had two credit cards – with a few hundred pounds on each. She received a letter from one of her card providers offering her a 0% promotional interest rate on any balance she transferred to that card.

Mrs C decided that it would make sense to consolidate her borrowing – and save money on the interest she was paying. So she transferred everything she owed onto the credit card that had offered her the 0% interest rate.

Mrs C had been making the minimum payment each month to both her credit cards – by direct debit from the current account she held with a different bank. After she had transferred the balance to just one card, she got in touch with her bank to sort out her payments.

She cancelled the direct debit to the card that no longer had anything on it. And she decided to *increase* the amount she was paying each month on the other card – to pay off the balance more quickly. So she asked her bank to cancel her existing direct debit payment on that card as well, and instead, set up a standing order for a higher amount.

Later that month, Mrs C's credit card provider tried to take the minimum payment using the direct debit instruction. When the bank said the payment couldn't be made – because Mrs C had cancelled the direct debit mandate – the credit card provider applied a "returned payment" fee to Mrs C's credit card account. And it withdrew the 0% promotional interest rate from her account.

It later turned out that Mrs C hadn't set up the standing order – for the higher amount – in time to meet the payment deadline on her credit card. So the credit card provider hadn't received any payment at all by the due date.

When Mrs C found out that her promotional interest rate had been withdrawn, she complained to her credit card provider. She said that she was a working mum with a young family – and that this had been really stressful for her.

Mrs C pointed out that she had wanted to increase her payments – and that she couldn't understand why the credit card provider had removed the promotional interest rate when she hadn't done anything wrong.

The credit card provider responded to Mrs C, saying that the terms and conditions of her account "allowed charges to be levied and promotional rates to be withdrawn in this type of situation".

Mrs C was not happy with this response – and she asked us to look into her complaint.

complaint resolved

We looked at the terms and conditions of Mrs C's credit card account. They said that if the cardholder failed to make a payment on time, the card provider was "not obliged to refund any charges or interest – or to reinstate the promotional rate". So it appeared that the card provider had been acting in line with its terms and conditions.

... she decided to increase the amount she was paying each month to pay off the balance more quickly

... we could understand why Mr C was worried and frustrated when his account was sold on

We got in touch with Mrs C to listen to her side of the story. She recognised that it would probably have made things easier if she had told the credit card company about making a change to her payment – rather than relying on them being told by the bank. But she said that at the time, it hadn't occurred to her to double check.

When we explained this to the credit card provider, it accepted that Mrs C had tried to do the right thing. The card provider decided to reinstate the promotional rate on Mrs C's account – and, as a gesture of goodwill, to refund the interest it had applied to her account while her complaint was being looked into.

We explained to Mrs C that we didn't think that she *or* her credit card provider had done anything wrong. And we pointed out that if she had raised the matter with her bank, they might have been prepared to put things right. Once we had explained this to Mrs C, she told us she was happy to accept her credit card provider's offer.

case study 113/02

consumer in financial difficulty complains that bank went back on its promise not to sell his credit card account on to another company

Mr A was struggling to make his minimum monthly credit card payments. He was disabled and wasn't working. He had been in touch with his bank – who also provided his credit card – and agreed a repayment plan to pay off the balance.

Mr A's bank had told him that because of his situation, it would freeze the interest on the amount he owed, and wouldn't apply any other charges to his credit card account. It had also told him that it wouldn't pass on his debt to an outside "debt recovery" company.

About a year after Mr A's repayment plan had started, the bank decided to sell some of its accounts to an outside debt collection agency. Mr A's account was one of the accounts it sold – and as part of the process, his account number changed.

Mr A was worried that his account number had changed. He thought he might miss a payment – because he had a direct debit in place that used his old account number.

He complained to his bank. He said that amending his direct debit would cause him a lot of inconvenience – and he pointed out that the bank had gone back on its promise not to sell his account to another company.

When the bank turned down Mr A's complaint, he asked us to look into it.

complaint partly upheld

We looked at all the evidence sent to us by the bank and by Mr A. We noted that the bank *had* written to Mr A telling him that it wouldn't sell his debt to another company.

So we could understand why Mr A was worried and frustrated when his account *was* sold on a year later. We noted that many of the bank's letters to Mr A were confusing – and didn't explain clearly why his account number was changing.



We decided that the bank had been entitled to sell Mr A's account to another company. But we thought that the bank should have given him a proper explanation of what was happening – and how it would affect him.

We noted that the bank had already frozen the interest and the charges on Mr A's account from the point he had told them about his financial difficulties. We also checked to see whether the bank's actions had disadvantaged Mr A in any other way – and we noted that the sale to the debt recovery company hadn't adversely affected the information recorded on his credit file.

Taking everything into account, we told the bank to pay Mr A £100 to compensate him for the worry it had caused him. The bank agreed, and also confirmed that it had already helped Mr A set up a direct debit for his new account number.

We explained to Mr A that he hadn't been disadvantaged financially by what had happened – and that his credit rating hadn't been affected. Mr A was satisfied with the outcome.

.....

... we explained to Mr C that he hadn't been disadvantaged financially by what had happened

case study 113/03

consumer complains that bank cancelled his repayment plan after debt management charity failed to renew it

Mr N had been struggling with his debts for some time. He had been in touch with a debt-management charity. Someone at the charity had helped him set up a repayment plan with his bank to pay off the balance on his credit card.

Just over a year later, the bank cancelled Mr N's repayment plan – and the interest rate on his credit card suddenly jumped from 6% to 29.9% APR.

Mr N got in touch with the bank to find out why it had cancelled his repayment plan. The bank told him that it was the charity's responsibility to contact the bank every six months to renew the plan – and that it had cancelled the plan because the charity hadn't been in touch. The bank wasn't willing to refund the additional interest Mr N had paid – but it did offer to arrange a new repayment plan for him.

... he hadn't replied to the bank because he thought the charity was taking care of renewing his plan

Mr N wasn't happy with the bank's response. He complained, saying that the bank was making his situation worse – and it was unfair because he had stuck to the terms of the repayment plan for over a year.

When the bank rejected his complaint, Mr N asked us to look into it.

complaint upheld

When we looked at the evidence, we noted that Mr N had followed the repayment plan for two consecutive six-month terms. At the beginning of each of these terms, the debt-management charity had asked Mr N for his income and expenditure details – and passed them on to the bank on his behalf.

We could see that something had gone wrong when the time came for Mr N to agree a third term. We noted that the bank had been in touch with the debt-management charity towards the end of the second term of the plan – but the bank didn't appear to have received a response. So the bank had written directly to Mr N. The letter asked him for some information about his income and expenditure – but it *didn't* mention anything about the fact that the charity hadn't responded to the bank's requests for information.

Mr N told us he hadn't replied to the bank because he thought the charity was taking care of renewing his plan – as it had done twice before. We thought this had been a reasonable assumption. Mr N also pointed out that he had contacted the bank as soon as he had received a statement showing the increased interest payments.

We noted that the bank had offered to set up a new repayment plan for Mr N. But we didn't think it had acted fairly when it had refused to refund the additional interest he had paid when his repayment plan was stopped.

So we told the bank to put Mr N back in the position he would be in if his repayment plan hadn't been cancelled. This included refunding any charges applied to his account since the plan had ended, returning the interest rate to 6%, and refunding the additional interest Mr N had been paying.

We suggested to Mr N that he might want to keep in closer contact with the debt-management charity to prevent any future misunderstandings.

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case study 113/04

consumer complains that credit card was blocked while she was abroad – and that the bank wouldn't unblock it

A few months after Mrs H's husband died, she suggested to her son that they go on a once-in-a-lifetime holiday to the Far East. They researched their options and booked a three-month holiday.

A couple of weeks before they were due to travel, Mrs H was in the local branch of her bank – and she happened to mention her holiday to the person behind the counter. The member of staff pointed out that the bank had recently launched a new credit card with features that might be of interest to her – including preferential rates on overseas cash withdrawals. Mrs H filled in the relevant forms and the credit card account was opened for her.

A week before they were due to leave, Mrs H was in her local branch again to pick up some foreign currency. While she was there she told the same member of staff that her new credit card had arrived – and that she would be taking it with her to use on her travels.

Everything was fine with Mrs H's card at the beginning of her holiday. But two months later, her card was suddenly refused when she tried to pay for a meal. Mrs H phoned the helpline number on the back of her card and spoke to an adviser. When she asked why her card had been refused, the adviser told her that a block had been put on her card – because she hadn't made any payments since she had opened the account, and because they could see the card was being used abroad.

Mrs H asked the bank to sort out a direct debit straight away to sort the problem out. But she was dismayed when her card kept getting declined – in spite of her phoning the bank several times to find out what was going on.

... she was dismayed when her card kept getting declined

And because Mrs H hadn't taken any other cards – and only a limited amount of foreign currency – away with her, she had to rely on her son to pay for things once her cash had run out.

Mrs H was very upset. She felt even worse when she got home and opened her statements – and found that the bank had applied some charges that she didn't understand.

Mrs H decided to complain to the bank. She explained that she had promised her son that she would pay for the whole trip – and that she'd cover their spending money while they were away. She told the bank how awkward she had felt having to rely on him to pay for things when her card stopped working.

The bank apologised to Mrs H. It admitted it had made a mistake when it hadn't removed the block from her card. The bank offered to refund the charges and pay Mrs H £70 to cover the costs she had incurred phoning them from abroad – and to make up for the inconvenience she had experienced.

But Mrs H did not feel that the bank's offer went far enough – and decided to refer the matter to us.

complaint upheld

We talked through the situation with Mrs H. It was clear that the holiday had meant a lot to her – and to her son.

We could see from the evidence that Mrs H had asked the bank to set up a direct debit as soon as they'd told her there was a problem – and had done everything she could to try and get the block removed from her credit card. She had phoned the bank several times from three different countries.

Mrs H also told us that she had been so convinced that the credit card was the best – and safest – option for her to manage her money abroad that she had decided not to take any other payment cards with her.

The bank accepted that it hadn't explained to Mrs H how she should make the first payment on her card while she was abroad. But they pointed out that they had offered her some compensation to make up for the inconvenience – as well as refunding the charges and offering to cover the costs of the phone calls she had made while she was trying to sort things out.

... she had defaulted on the original agreement she had made when she first took out the credit card

We noted that, although it had been far from ideal, Mrs H had been able to rely on her son to help out.

Taking everything into account, we decided that the bank's offer needed to reflect both the inconvenience and the distress that Mrs H had experienced while she was abroad. So we told the bank to pay her an extra £70 compensation.

case study 113/05

consumer in financial difficulty complains that bank registered default on her credit file – even though she had stuck to her repayment plan

In 2008, Mrs B lost her job. She knew she wouldn't be able to carry on making her minimum monthly payment on her credit card for much longer, so she got in touch with her credit card provider – her bank – and arranged a reduced payment plan. She made a reduced payment each month, and didn't think any more about it.

Four years later, Mrs B was thinking about remortgaging her house. She spoke to someone at her mortgage company to see what her options were. The adviser she spoke to told her that they couldn't offer her the lowest interest rate because of her credit rating.

Mrs B checked her credit report. She found that her bank had registered a default against her credit card account in 2009. She got in touch with the bank to ask what the default meant.

She said that she hadn't missed a payment on her repayment plan – so she couldn't understand why the bank had registered anything on her file.

The bank said that it registered a default on her credit file in 2009 – because of a change in its policy. It said it had written to Mrs B at the time to let her know about the default notice. The bank accepted that Mrs B hadn't realised what had happened, and it offered to backdate the default to 2008 – when Mrs B's repayment plan had first started. That way, the default would be removed from her credit report sooner.

Mrs B didn't think this was fair – and she complained to the bank. When her complaint was turned down, she asked us to look into it.

complaint resolved

We asked Mrs B to give us an up-to-date copy of her credit report – so that we could check what information the bank had recorded on it.

We asked the bank to send us copies of all its correspondence with Mrs B. We noted that the bank had written to her in 2009 to let her know that she had defaulted on

her agreement – and that the bank had registered a default on her credit file.

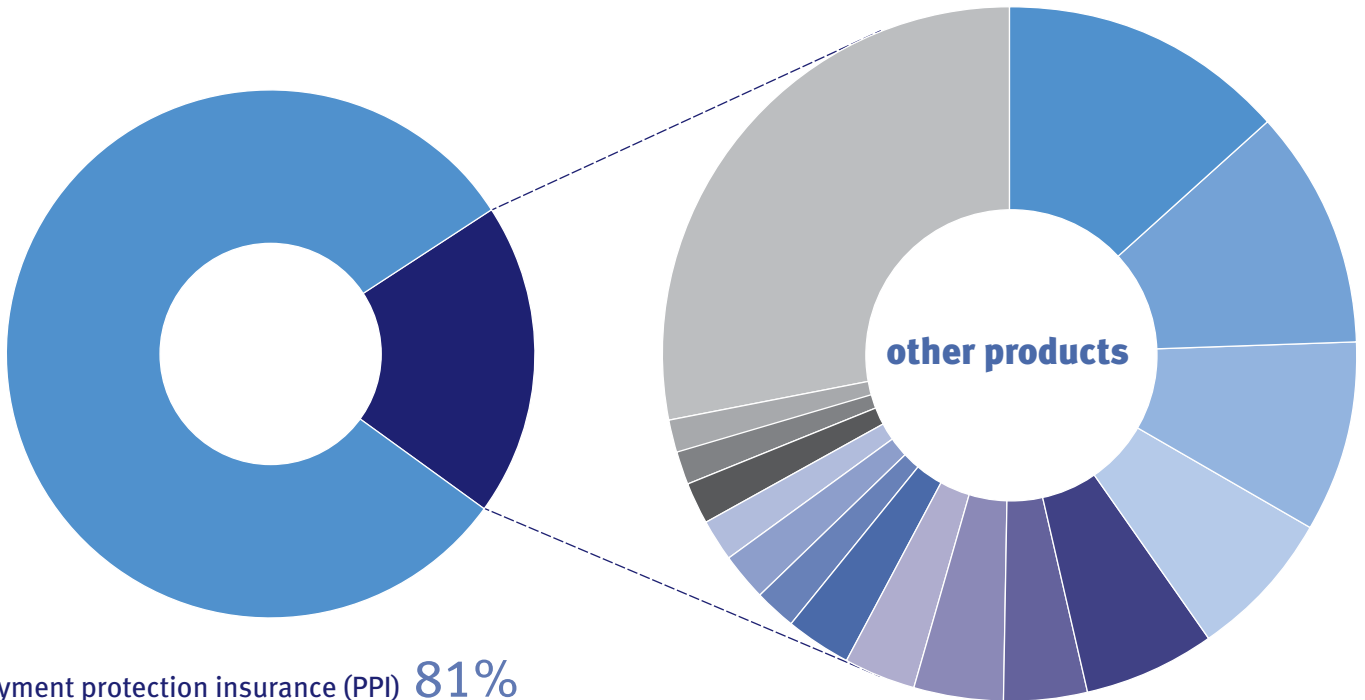
Mrs B had replied to the bank's letter, asking what the default notice meant, and pointing out that she was making her repayments each month. The bank had then written to Mrs B asking her to get in touch to discuss the situation. The bank's records showed that Mrs B hadn't replied.

We explained to Mrs B that although she hadn't missed a payment on her reduced payment plan, she had defaulted on the *original* agreement she had made when she first took out the credit card.

We could understand why Mrs B was upset. She hadn't missed a payment since she had started her repayment plan – and she obviously wanted to clear the balance on her card.

But we didn't agree that the bank had made a mistake when it had registered the default – and we decided that its offer to backdate the default was reasonable. Once we had explained the situation to Mrs B – and she had understood why the default had been registered in the first place – she decided not to take things any further.

the financial products that consumers complained about most to the ombudsman service in July, August and September 2013



- payment protection insurance (PPI) 81%
- complaints about other products 19%

- current accounts 13.5%
- house mortgages 11%
- credit card accounts 9%
- car and motorcycle insurance 7%
- overdrafts and loans 6%
- “packaged” current accounts 4%
- buildings insurance 4%
- mortgage endowments 3.5%
- term assurance 3%
- deposit and savings accounts 2%
- travel insurance 2%
- whole-of-life policies 2%
- contents insurance 2%
- hire purchase 1.5%
- personal pensions 1.5%
- complaints about other products 28%

payment protection insurance (PPI)
current accounts
house mortgages
credit card accounts
car and motorcycle insurance
overdrafts and loans
buildings insurance
mortgage endowments
“packaged” current accounts
term assurance
deposit and savings accounts
travel insurance
whole-of-life policies
contents insurance
hire purchase
“point of sale” loans

ombudsman focus: second quarter statistics

A snapshot of our complaint figures for the second quarter of the 2013/2014 financial year

We regularly publish updates in *ombudsman news* on a quarterly basis showing what kind of financial products people

have complained about – and what proportion of complaints about those products we have upheld in favour of consumers.

In this issue of *ombudsman news* we focus on data from the second quarter of the financial year 2013/2014 – showing the new complaints we received during July,

August and September of this year.

People brought a total of 143,177 new complaints to the ombudsman – a 39% increase on the same quarter last year when we received 103,197 new complaints.

81% of new complaints we received were about PPI and current accounts

were the second most complained about product, with 3,705 new complaints.

The proportion of complaints we upheld in favour of the consumer ranged from 2% (for complaints about SERPs) to 82% (for complaints about “packaged” current accounts).

number of new cases			
year to date	Q2	Q1	
2013/14 (Apr to Sep)	2013/14 (Jul to Sep)	2013/14 (Apr to Jun)	full year 2012/13
247,399	115,247	132,152	378,699
7,578	3,705	3,873	18,868
6,031	3,090	2,941	11,915
5,048	2,449	2,599	19,399
3,574	1,866	1,708	7,785
3,187	1,580	1,607	7,791
2,075	1,037	1,038	4,611
1,900	980	920	4,657
1,846	1,110	736	1,629
1,561	784	777	3,572
1,444	598	846	4,512
1,075	544	531	2,715
986	487	499	2,239
916	485	431	2,027
733	383	350	1,621
721	374	347	1,939

% resolved in favour of consumer			
year to date	Q2	Q1	
2013/14 (Apr to Sep)	2013/14 (Jul to Sep)	2013/14 (Apr to Jun)	full year 2012/13
70%	61%	78%	65%
32%	33%	31%	33%
27%	28%	27%	26%
30%	32%	28%	33%
41%	42%	40%	46%
34%	34%	34%	34%
46%	46%	46%	48%
28%	29%	27%	25%
79%	82%	66%	–
18%	23%	12%	12%
41%	40%	42%	42%
56%	57%	53%	49%
21%	20%	21%	23%
42%	42%	43%	40%
43%	42%	43%	43%
38%	35%	43%	43%



* Complaints involving card protection insurance were previously categorised under “specialist insurance” – and were not shown separately in previous years.

- income protection
- personal pensions
- home emergency cover
- portfolio management
- critical illness insurance
- debit and cash cards
- card protection insurance
- secured loans
- private medical and dental insurance
- investment ISAs
- catalogue shopping
- inter-bank transfers
- unit-linked investment bonds
- warranties
- payday loans
- endowment savings plans
- pet and livestock insurance
- legal expenses insurance
- cash ISA - Individual Savings Account
- self-invested personal pensions (SIPPs)
- credit broking
- share dealings
- commercial property insurance
- debt collecting
- direct debits and standing orders
- commercial vehicle insurance
- electronic money
- cheques and drafts
- mobile phone insurance
- roadside assistance

number of new cases			
year to date	Q2	Q1	
2013/14	2013/14	2013/14	full year
(Apr to Sep)	(Jul to Sep)	(Apr to Jun)	2012/13
714	352	362	1,461
711	381	330	1,808
628	287	341	1,284
585	272	313	1,449
559	285	274	1,370
554	280	274	1,285
545	298	247	*
498	270	228	925
494	235	259	949
452	242	210	1,528
381	211	170	950
378	206	172	1,036
374	202	172	1,030
352	195	157	903
351	191	160	542
347	192	155	973
341	174	167	830
337	187	150	882
–	309	–	–
308	176	132	620
297	142	155	711
296	142	154	609
292	167	125	720
276	139	137	817
271	153	118	651
269	141	128	599
258	138	120	400
257	131	126	686
254	140	114	615
253	139	114	490

% resolved in favour of consumer			
year to date	Q2	Q1	
2013/14	2013/14	2013/14	full year
(Apr to Sep)	(Jul to Sep)	(Apr to Jun)	2012/13
26%	25%	28%	30%
25%	25%	25%	32%
52%	49%	55%	61%
60%	58%	63%	54%
24%	28%	20%	21%
41%	39%	43%	45%
73%	70%	76%	*
30%	30%	28%	21%
38%	38%	38%	38%
41%	46%	33%	30%
53%	54%	53%	58%
33%	36%	32%	41%
45%	47%	43%	46%
54%	53%	54%	62%
67%	64%	72%	71%
17%	17%	17%	21%
32%	28%	36%	52%
40%	40%	39%	37%
–	74%	–	–
53%	51%	55%	61%
58%	58%	59%	64%
41%	40%	42%	42%
44%	48%	39%	41%
41%	44%	35%	44%
40%	38%	41%	45%
40%	38%	42%	43%
35%	30%	37%	29%
40%	43%	38%	45%
76%	80%	72%	71%
43%	47%	38%	42%



**This table shows all financial products and services where we received (and settled) at least 30 cases. This is consistent with the approach we take on publishing complaints data relating to named individual businesses. Where financial products are shown with a double asterisk, we received (and settled) fewer than 30 cases during the relevant period.

store cards
debt adjusting
annuities
state earnings-related pension (SERPs)
personal accident insurance
specialist insurance
“with-profits” bonds
guaranteed bonds
merchant acquiring
hiring/leasing/renting
occupational pension transfers and opt-outs
OEICs (open-ended investment companies)
business protection insurance
guaranteed asset protection (“gap” insurance)
(non-regulated) guaranteed bonds
credit reference agency
home credit
building warranties
conditional sale
income drawdowns
foreign currency
safe custody
debt counselling
unit trusts
spread betting
sub total
other products and services
total

number of new cases			
year to date	Q2	Q1	
2013/14	2013/14	2013/14	full year
(Apr to Sep)	(Jul to Sep)	(Apr to Jun)	2012/13
249	139	110	650
248	126	122	484
245	125	120	624
227	115	112	476
206	100	106	495
192	76	116	825
191	86	105	675
188	100	88	580
172	102	70	235
172	97	75	304
171	88	83	399
140	61	79	370
138	74	64	261
112	59	53	309
96	53	43	336
74	32	42	109
73	43	30	98
45	45	**	206
37	37	**	86
32	32	**	189
31	31	**	113
30	**	30	120
**	**	**	126
**	**	**	165
**	**	**	148
301,084	142,717	158,367	507,901
1,290	460	830	980
302,374	143,177	159,197	508,881

% resolved in favour of consumer			
year to date	Q2	Q1	
2013/14	2013/14	2013/14	full year
(Apr to Sep)	(Jul to Sep)	(Apr to Jun)	2012/13
45%	40%	52%	51%
64%	61%	74%	69%
31%	32%	31%	29%
2%	2%	1%	2%
30%	24%	38%	39%
63%	62%	63%	66%
23%	24%	21%	20%
18%	16%	20%	28%
21%	18%	28%	23%
33%	23%	42%	38%
35%	36%	34%	51%
27%	26%	27%	47%
39%	43%	34%	44%
21%	22%	20%	28%
34%	29%	42%	40%
33%	26%	43%	41%
2%	25%	37%	31%
43%	38%	**	39%
43%	43%	**	43%
50%	49%	**	49%
31%	35%	**	32%
56%	**	49%	50%
48%	**	**	56%
21%	**	**	40%
27%	**	**	40%
62%	55%	69%	49%
32%	40%	42%	48%
62%	55%	69%	49%

travel insurance

Complaints about travel insurance raise a wide range of different issues – from stolen wallets and missing suitcases to delayed flights and air ambulances. The complaints we see reflect the sheer variety of trips that people make – and the experiences they have while they preparing to travel or while they are away.

This variety means that travel insurance is one of the most complex products that we deal with. It could also explain why the travel insurance pages in our *online technical resource* are some of the most popular pages on our website – because people are looking for information about so many different situations.

Having said that, we do see recurring themes in travel insurance complaints. As we said in our *annual review* of 2012/2013, a significant proportion of the complaints we see come from consumers who bought travel insurance online.

Often, we find that problems are caused by the details of the cover not being made clear to consumers before they took out the policy. However, in some cases we find that consumers bought their insurance without reading through the information about the policy.

As always, we approach these cases by looking at the evidence carefully, and weighing up the specifics of the situation. Where someone has bought a policy online, we usually look at screen-shots of the insurer's sales process so we can see exactly the same information that the consumer saw when they took out the policy.

We also see cases where insurers have applied the terms and conditions of a policy in an overly rigid and legalistic way – without taking into account the wider circumstances. Where we think this has happened, we tell the insurer to put things right in a way that would be fair and reasonable in the individual circumstances of the case.

“Pre-existing medical conditions” are another recurring theme. We often see complaints from consumers who hadn't realised that their insurer expected to know not only about their own health – but about the health of their close relatives too. Case studies 113/07 and 113/08 illustrate how this situation can arise – and how the individual circumstances of a case lead to different outcomes.



... the policy hadn't provided the level of cover she had been looking for

case study 113/06

consumer complains her insurer hadn't made clear that travel insurance policy wouldn't cover her gap year

Miss T was planning her gap year. She knew she needed some travel insurance, so she went online and took out an annual policy.

Four months into her trip, Miss T decided to book a glacier hiking trip. When she went into the booking office to sign up, the organiser asked her to check that her travel insurance covered her for this sort of activity.

Miss T emailed her insurance provider to ask whether she was covered. But the insurer emailed her back and told her that because she had an annual multi-trip policy, she wasn't actually covered for anything at all – because the policy only covered her for trips that lasted for 31 days or less.

Miss T complained to the insurer. She said she hadn't realised that she wouldn't be covered for her gap year trip – and that the website hadn't made it clear when she took the policy out.

The insurer disagreed. It said the online sales process – and Miss T's policy documents – had made it clear that a limit of 31 days applies.

Miss T was sure she didn't remember seeing anything about this limit. So she decided to ask us to look into it.

complaint upheld

We thought it was clear that Miss T had wanted to be covered for the whole of her gap-year trip. It was also clear that the policy hadn't provided the level of cover she had been looking for.

We wanted to see what information Miss T had been given while she was taking out the policy online. So we asked the insurer to give us copies of screen-shots from its website so that we could check what Miss T would have seen.

But as the insurer couldn't give us any screen-shots, we couldn't be sure that the trip limit had been clearly set out on the pages that Miss T had seen.

We also looked at the policy documents that the insurer had sent to Miss T. Although the 31-day limit was set out in the "annual multi-trip" section of the policy booklet, the booklet itself didn't specify which type of policy Miss T had bought. And the limit hadn't been mentioned in any other communication that Miss T had received from her insurer.

Miss T's policy schedule also said that the policy provided cover from the date of Miss T's departure until the date of her return.

Taking everything into account, we could understand why Miss T had thought she would be covered for the whole of her gap year. We couldn't be sure what information she had been given during the online sales process, but we decided that the information she had been sent afterwards should have set out the limits on her particular policy more clearly.

We decided that if Miss T had understood that she wouldn't be covered for the whole of her trip, she would have taken out something more suitable for her needs. So we told the insurer to refund Miss T's premium, plus interest.

case study 113/07

consumers complain that insurer rejected their claim for the holiday they cancelled after the death of a close relative

Mr and Mrs M booked their summer holiday – and went online to take out travel insurance. They took out an annual policy. Sadly, the day before they were due to travel, Mrs M’s father, Mr D, died. He had been suffering from a chest infection. The couple cancelled their holiday and put in a claim under their insurance policy.

The insurer rejected their claim. It had looked at copies of Mr D’s medical records and had noted that he had suffered from a number of medical conditions including prostate cancer, kidney-related disease and heart problems. The insurer had also noted that Mr D had lived in a care home.

The insurer said that Mr and Mrs M should have declared Mr D’s health conditions when they took out the policy. It said that if the couple had told them about Mr D’s conditions, it would not have agreed to pay a claim that had related to Mr D’s health – pointing out that the policy specifically excluded “claims arising from the pre-existing medical conditions of a close relative”.

Mr and Mrs M were surprised and upset. They explained to the insurer that Mr D’s chest infection had been sudden, and that he had been expected to recover. They said that although they knew Mr D had cancer, it was a non-aggressive type with a good prognosis. So they said they couldn’t understand what they were supposed to have declared to the insurer – and that they’d had no reason to think that Mr D’s health would deteriorate so suddenly.

When the insurer refused to reconsider, Mr and Mrs M got in touch with us.

complaint upheld

When we looked at the terms and conditions of Mr and Mrs M’s policy, we noted that it excluded claims that related to “any circumstance known to a policyholder before taking out a policy which could reasonably be expected to lead to the cancellation of a trip, unless it had been declared and accepted.” This information was included in both the policy summary and the policy booklet.

So we decided that the insurer needed to show not only that Mr D had pre-existing conditions – and that Mr and Mrs M had been aware of them – but also that Mr and Mrs M could reasonably have expected Mr D’s conditions to give rise to a claim.

We noted from the medical records that the insurer had been sent that Mr D’s conditions had been stable and controlled for a number of years – and that he had been receiving hormonal therapy for cancer.

We also noted that the GP had said that Mr D’s health had only deteriorated when he had suddenly developed a chest infection – and that he had been expected to recover. The GP said that Mr D’s death had been unforeseen.

In these circumstances, we did not think Mr and Mrs M could reasonably have expected Mr D’s medical conditions to give rise to a claim.

We looked at the questions that Mr and Mrs M had been asked during the online application process. We noted that they were only asked to declare any medical conditions of close relatives “that may lead to a claim”. So we were satisfied that they hadn’t done anything wrong by *not* having declared Mr D’s conditions – and that it hadn’t been reasonable of the insurer to expect them to have done so.

In these circumstances, we told the insurer to reconsider Mr and Mrs M’s claim – and to pay interest on any payment.

... they were only asked to declare any medical conditions of close relatives “that may lead to a claim”

case study 113/08

consumer complains that insurer rejected claim for holiday cancelled after the death of a close relative

Mr H had booked a three-week holiday to Spain. A month before he was due to travel, he went online to take out travel insurance. Sadly, three days before he was due to travel, his mother, Mrs H, died from heart failure. Mr H cancelled his holiday and made a claim under his travel insurance policy.

The insurer rejected the claim. It said that it had reviewed Mrs H's medical records – and noted that she had been diagnosed with a heart condition six years previously, and had suffered cardiac failure four months before Mr H took out the policy.

The insurer pointed out that Mrs H had been in hospital for two months at the time Mr H had taken out the policy. The insurer also said that Mrs H's death certificate said that her heart failure was linked to her pre-existing conditions.

The insurer told Mr H that it had based its decision on a policy term that excluded “any claims arising from the medical condition of a relative – if the policyholder was aware of the condition when they took out the policy”.

Mr H was unhappy with the insurer's decision, and he complained. He said he knew his mother had been diagnosed with a heart condition some years before. But he pointed out that when she went into hospital two months before he took the policy out, it had been for a routine procedure. He said that even though his mother had been kept in hospital for two months, he hadn't thought her condition was all that serious. Mr H also said that if the exclusion had been made clear to him, he would have declared his mother's condition and paid an additional premium.

When the insurer turned down Mr H's complaint, he asked us to look into it.

complaint not upheld

We agreed that the insurer had not highlighted the exclusion to Mr H as clearly as it should have done. But we also needed to consider whether the insurer had acted fairly when it had turned down Mr H's complaint.

Mr H told us that he had known about his mother's health conditions when he took out the policy – and that she had been in hospital for several weeks at that time.

Mr H's medical records showed that she had been taken into hospital for a routine procedure – but that there had been some complications and her health had begun to deteriorate. We took the view that Mrs H's condition had been serious enough to be on her son's mind at the point he took out the policy – and that it would be reasonable to expect him to have told the insurer about it.

We also thought it was reasonable for the insurer to expect Mr H to have known that his mother's condition might deteriorate – and lead to a claim.

Taking everything into account, we thought it was unlikely that *any* insurer would have been able to offer Mr H a policy to cover his circumstances. So we concluded that the insurer's decision to turn down the claim was reasonable.

... the receptionist had told her that her rucksack would be in a locked storage room

case study 113/09

consumer complains that insurer rejected claim for luggage stolen from hotel store room

Ms S was on holiday in Amsterdam. She checked in at her hotel – but because her room wasn't ready, she left her rucksack in a storage room. The hotel's receptionist explained that the room was very safe because it could only be opened by a manager using a swipe card.

Ms S went out on a canal trip – but when she got back to the hotel later on, she found that her rucksack had disappeared. She got in touch with her travel insurer straight away – and made a claim.

The insurer rejected Ms S's claim. It said there was "no cover for property left unattended in a public place". It also said there was "no cover for theft if a policyholder's possessions had been left in the custody of anyone other than an insured person or a travelling companion".

And it referred to a policy term that excluded theft claims from holiday accommodation unless there was evidence of "violent, visible and forcible entry".

Ms S complained to the insurer. She pointed out that the receptionist had told her that her rucksack would be in a locked storage room. She said she'd had no reason to think she was taking a risk by leaving it there – and that she would never have left it unattended.

The insurer rejected Ms S's complaint, so she asked us to look into it.

complaint upheld

We asked Ms S for some information about the hotel she had been staying in – and we established that it was part of a small chain of hotels. So we got in touch with the hotel company's head office to ask for some information about their policies and procedures relating to checking in, security and luggage storage.

The hotel company told us that in that particular hotel, the luggage storage room was behind the reception area – and could only be opened by a manager's swipe card.

This information tied in with what Ms S had told us – and on the basis of this information, we didn't think it was reasonable for the insurer to have concluded that Ms S had left her rucksack in a public place.

Ms S hadn't been able to leave her rucksack in her room. And in our view, it was clear she had thought – based on the receptionist's advice – she was leaving her rucksack somewhere secure. We decided, in the circumstances, that Ms S had taken reasonable steps to protect her belongings – and that it was unfair for the insurer to turn down her claim on the grounds that they weren't in her custody.

Although the policy excluded thefts where there was "no evidence of violent, visible and forcible entry", we thought that using a swipe card to commit theft would be an illegal act – and so shouldn't be excluded.

In these circumstances, we decided it would be fair and reasonable for the insurer to pay Ms S's claim in line with the limits on her policy.

case study 113/10

consumers complain that insurer rejected their claim for a flight they missed because of heavy snow

Mr and Mrs R were going on a cruise. They planned to drive from their home – near the coast in Wales – to Stansted airport, where they would stay overnight before flying to Italy to board their cruise ship. Unfortunately, there was heavy snow on the day they were due to leave home. The roads around their village were blocked and they were snowed in. Mr and Mrs R missed their flight and their cruise ship's departure.

They got in touch with the cruise operator and explained what had happened. They said they hadn't been able to leave their village by car because the roads were blocked, and that local train services had been cancelled because of adverse weather conditions. So there was no way they could have got to Italy in time to get on the ship.

The cruise operator agreed to swap their tickets for a cruise later in the year.

Mr and Mrs R were relieved that they hadn't lost out on the cruise. But because their flight, airport hotel and parking weren't included in the cruise package – and they had arranged them separately themselves – they had still lost money. So they decided to claim for their flight, hotel and parking costs under their travel insurance.

The insurer turned down the claim. It wrote to Mr and Mrs R, saying that cancellation because of bad weather conditions was not covered by the "cancellation" section of their policy. It said the only section of the policy that could apply was the "delayed departure" section.

The insurer pointed out that the delayed departure section applied only when a policyholder had been delayed at the airport or port after check-in. It said Mr and Mrs R were not covered under this section because they had never reached the airport.

And it pointed out that Mr and Mrs R's flight had left on time – and that they could have made alternative arrangements to get to the airport.

Mr and Mrs R thought this was unfair, and they complained to their insurer. They said they couldn't understand why it mattered whether they had got stuck at home or after check-in. They had still missed their flight. But the insurer refused to change its position – so the couple referred their complaint to us.

complaint upheld

We looked carefully at the evidence. We noted that on the day Mr and Mrs R had been due to drive to the airport, the local police had advised people not to make car journeys unless it was absolutely necessary. The nearest train station was 15 miles away from Mr and Mrs R's house. So we concluded that Mr and Mrs R wouldn't have been able to make alternative arrangements to reach the airport.

It was clear from the terms and conditions of the policy that Mr and Mrs R would have been covered if bad weather had delayed their flight from the airport by more than 12 hours.

In this case, bad weather had delayed their leaving home by more than 12 hours. The result had been the same – bad weather had delayed their departure by more than 12 hours. So we didn't think the insurer's reliance on this term had been reasonable.

In these circumstances, we told the insurer to pay Mr and Mrs R's claim in line with the limits on their policy.

... they couldn't understand why it mattered whether they had got stuck at home or after check-in

▶

case study 113/11

consumers complain that insurer rejected their claim for a missed flight

Mr and Mrs G had tickets to fly from Bangkok to Manchester early in the morning. However, they arrived at the airport after check-in had closed and missed their flight. The couple bought new tickets and travelled to Manchester the next day.

When they got back to the UK, Mr and Mrs G put in a claim under their travel insurance for the cost of the new tickets and the meal costs they had incurred when they missed the flight. They explained to the insurer that they had missed their flight because the hotel shuttle bus was stuck in traffic on the way to the airport. They said the bus driver had said there might have been an accident somewhere that was causing the delay.

The insurer turned down their claim. It said there was no evidence to show that there had been traffic delays at the time Mr and Mrs G had missed their flight.

Mr and Mrs G complained. They said that they were in such a rush to catch their flight that they hadn't had time to get a report from the bus driver – and that the language barrier would have been a problem anyway.

When the insurer wouldn't change its position, Mr and Mrs G referred their complaint to us.

complaint not upheld

We thought it was fair for the insurer to have asked for documentary evidence to back up Mr and Mrs G's account of what had happened. When we looked at the terms and conditions of the couple's policy, we noted that it clearly set out what evidence would be required to "demonstrate the nature of any delay" – a standard requirement across the insurance industry.

We understood that Mr and Mrs G had been anxious to get to the check-in desk as quickly as possible once they had made it to the airport – and that it would have been difficult for them to stop and ask the bus driver for a report while they were getting off the bus.

However, we established that Mr and Mrs G's hotel belonged to an international chain – so we were surprised that the couple hadn't followed things up with the hotel as part of their claim.

When we got in touch with the hotel, a member of staff checked their records for the day and time in question. He told us that the hotel hadn't recorded any problems with its airport shuttle service that day.

In these circumstances, we concluded that the insurer had acted reasonably in rejecting Mr and Mrs G's claim, because it hadn't seen the evidence it needed to show that the delay had been unavoidable.

.....

... if the insurer only paid him a quarter of the amount he had claimed for, he wouldn't be able to book the same holiday again

case study
113/12

consumer complains that insurer rejected claim for cancelled holiday bought with supermarket points

Mr N and his family booked a holiday to France. They used some of their supermarket reward points to help pay for their trip. Unfortunately, just before they were due to travel, Mr N fell ill – and the family had to cancel their holiday. Mr N put in a claim under his travel insurance for the cost of the holiday.

His insurer accepted the claim. But it said it would only pay a quarter of the amount that Mr N had claimed for. The insurer said this was because the supermarket had, as part of a promotional offer, multiplied the cash value of the points by four before passing them on to the travel agent. So the insurer only offered Mr N the *original* value of the reward points.

Mr N was unhappy with the insurer's decision – and got in touch with them to complain. He pointed out that if the insurer only paid him a quarter of the amount he had claimed for, he wouldn't be able to book the same holiday again. And he asked the insurer to pay the full amount he had lost out on.

The insurer refused. It pointed out that Mr N's policy terms said that "claims would be settled by reinstatement of the points to their original account, or if this was not possible, the insurer would pay "the lowest advertised air fare by the original airline".

Mr N was still unhappy, so he asked us to look into his complaint.

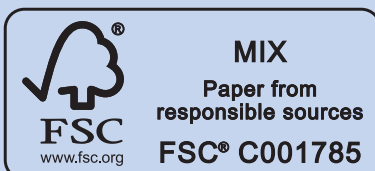
complaint upheld

When we looked at the evidence, we could see that the insurer had settled Mr N's claim in line with the terms and conditions of his policy. And we established that Mr N had never actually had the quadrupled value of the points credited to his reward card – because the supermarket would

only have multiplied their value in this way once Mr N had actually asked for his points to be used to pay for the holiday.

However, we took the view that Mr N's loss had been the loss of use of the *multiplied* points – and his ability to put them towards another holiday. We did not think the insurer's offer had reflected the position Mr N had been in immediately before he had cancelled the holiday – and that their decision hadn't been fair and reasonable in the circumstances of this case.

So we told the insurer to pay Mr N the full value of his claim.



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Q? &A

featuring questions raised recently with our free, expert helpline for businesses and advice workers

penalised for netting a bargain?

I'm an insurance broker and I've become involved in a row between my customer and her insurer. My customer got a good deal on the car when she bought it, paying £1,000 less than you would typically pay for the same make, model and mileage. Unfortunately, she was recently involved in an accident and the car is a complete write-off. The insurer is refusing to pay her a valuation in line with the trade guides, saying that this will put her in a much better position than she was in before the accident. The customer feels that she shouldn't be penalised just because she got a bargain. Who is right?

We would start by looking at the terms of your customer's policy. If the contract says that the insurer will pay market value of the car before the accident, then unless there are compelling reasons not to, this is the right outcome.

If the trade guides all reflect a similar – higher – price, then it's likely that if the insurer pays the consumer £1,000 less, she won't be put back in the position she should be in, because it's unlikely she'll be able to buy the same car again for less money.

Our technical note on motor vehicle valuation provides a lot of information about our approach to these disputes, and it's recently been updated. Search financial ombudsman – vehicle valuation.

keeping on top of things

I remember reading in September that the ombudsman will be doing an external review of the industry. Is there any more news on this, and is it something I should keep up to date with?

The review – which is now underway – goes quite a bit wider than just the financial services sector. The aim is to understand a wide range of current and future changes in areas like technology, consumer expectations and brand management wherever they're happening. That's because even if they're not affecting our work now, they almost certainly will in the future. To help lead this work, the board recently appointed the Future Foundation, specialists in analysing consumer and business trends, which they've done for a wide range of clients including Oxfam, and a range of major retailers.

We want this project to be informed by a really wide range of people, so we hope that a lot of you will not only keep up to date, but get involved too. Once the Future Foundation team have done their initial background research, they'll be getting out and about talking to companies, consumer groups and others in our sector and beyond.

We've also asked them to share and discuss their findings openly with the organisations we work with as they go along.

That way, by the time the project is finished, we should have something that's relevant and useful for the financial services sector – and for other sectors too – as well as for us and our stakeholders.

Keep an eye on our website. We'll publish more information soon.



Financial
Ombudsman
Service