

## **The complaint**

Ms A complains about the way Union Reiseversicherung AG (“URV”) handled a claim she made on her travel insurance policy.

## **What happened**

Ms A took out a travel insurance policy underwritten by URV to cover a holiday to the USA. That holiday took place in March 2019, but Ms A became unwell during it and was taken to hospital where she had an abscess drained. The hospital billed Ms A \$3,350 and \$1,503.56 for her treatment. And in April 2019 she made a claim on her travel insurance policy.

URV accepted Ms A’s claim and passed it on to its cost containment team in May 2019. It asked the hospital for specific documentation relating to the coding of Ms A’s treatment in June 2019 and also sent Ms A a letter of reassurance which explained the bills were being dealt with by its cost containment team; she would not be liable for the costs the hospital had claimed; and, she should send URV any correspondence she may go on to receive from the hospital, or those acting on its behalf.

In July 2019 the hospital passed Ms A’s outstanding bills on to a debt collection agency, so URV contacted that agency to explain it was awaiting coding information. The coding information was received by URV in September 2019, and in October 2019 URV paid \$413.33 and \$603.71 towards the hospital’s bills. But Ms A received debt collection letters in October 2019 and November 2019 for the outstanding amounts. So she complained.

In its final response to that complaint, URV said it had already accepted liability for Ms A’s claim and she wouldn’t be held liable for any outstanding costs. It said that its cost containment team was involved in ongoing communication with the USA about the outstanding bills, and it asked Ms A to send in the debt collection letters she’d received. URV also apologised for an internal delay it had identified (it had referred the matter to its cost containment team about a month later than it said it could have done) and offered Ms A £100 in compensation.

But Mrs A remained unhappy with URV’s position and referred her complaint to this service. One of our investigators looked at what had happened, but he didn’t think URV had acted unreasonably and said:

- It wasn’t unusual for an insurer to try and carry out cost containment.
- URV had accepted liability for Mrs A’s claim, and it should be given the opportunity to hold meaningful negotiations with the hospital in the USA.
- URV’s offer of compensation was fair.
- Whilst he expected URV to take steps to resolve the outstanding bills, or take part in meaningful negotiations to try and resolve them, if it didn’t Ms A may have cause for further complaint.

URV agreed with our investigator's opinion. But Mrs A didn't and said its findings gave her no closure on the matter. So as no agreement was reached, the matter was passed to me to decide.

I issued a provisional decision which set out that I didn't think URV had yet had enough opportunity to handle the negotiation, or ascertainment, of Ms A's medical bills more appropriately.

My provisional decision forms part of this final decision. And it read as follows:

*"The relevant rules and regulatory framework"*

*The Financial Conduct Authority (FCA) Handbook sets out a number of Principles for Businesses which URV must follow. Those principles include:*

*Principle 6 - A firm must pay due regard to the interests of its customers and treat them fairly.*

*Principle 8 - A firm must manage conflicts of interest fairly, both between itself and its customers and between a customer and another client.*

*The relevant regulations also include ICOBS 8.1.1R, which says an insurer must:*

- (1) handle claims promptly and fairly;*
- (2) provide reasonable guidance to help a policyholder make a claim and appropriate information on its progress;*
- (3) not unreasonably reject a claim (including by terminating or avoiding a policy); and*
- (4) settle claims promptly once settlement terms are agreed.*

*The Regulatory Guide, published by the FCA and entitled "The Responsibilities of Providers and Distributors for the Fair Treatment of Customers" (RPPD), includes the Regulator's guidance on what the combination of Principles and the detailed rules mean for providers and distributors of financial services. The RPPD explains that firms should consider the impact of their actions, or inactions, on the customer throughout the life-cycle of the service being provided.*

*I have also taken into account what was considered good industry practice at the time of Ms A's claim. That was, for underwriters of travel insurance and their agents to engage diligently with healthcare providers to try to resolve disputes over medical bills, by actively seeking a compromise or adjudication of their bills. That includes actively engaging in negotiation.*

*The terms of Ms A's policy say URV can:*

*"take over and deal with in your name the defence/settlement of any claim made under the policy."*

*So URV can take over the conduct of a claim against its policyholders. But it has a responsibility to act in good faith when it takes over the defence or settlement of a claim. That means having regard to Ms A's interests as well as its own, which forms part of URV's regulatory responsibilities as set out above.*

*Ms A's claim*

*URV partially settled Ms A's hospital bills six months after she'd been treated there. It paid what it assessed to be reasonable based on the cost rate as determined by the US Congress, plus a percentage uplift.*

*I haven't been provided with information about the guidelines URV relied on to assess the payment it made, nor evidence to show that it was being charged more than insurers in the USA would have been charged for similar treatment. But I do, however, appreciate why URV would not want to pay exaggerated costs.*

*The amounts that URV assessed to be reasonable and paid the hospital were much less than what the hospital charged for Ms A's treatment. So I think it's reasonable to say that URV would have been aware it was unlikely the hospital would have considered its payments as settlement of the bills. And, as has been evidenced in this case, the hospital did not consider them settled – it instructed debt collectors to chase Ms A for the outstanding amounts.*

*Normally, in situations like this where an outstanding amount is in dispute, I would expect URV to be carrying out cost containment negotiations. I haven't seen any evidence of such negotiations in this case so far. But I'm not persuaded that URV has been given the opportunity to enter into such negotiations yet, and will explain why.*

*When URV wrote to Ms A in June 2019, it assured her that she would not have to pay anything towards the costs of the treatment that was being claimed by the hospital. However, it set out that Ms A may continue to receive correspondence from the hospital, or those acting on its behalf. And it asked her to forward on any such correspondence for URV to deal with.*

*However, Ms A did not, as far as I am aware, engage with that request and forward the debt collection letters she received in October and November 2019 on to URV. Instead she chose to raise a complaint about what had happened, and told URV that she wanted this service to deal with the matter of the outstanding bills given her concerns about what had happened.*

*I can understand why Ms A was, and continues to remain, concerned about the outstanding debt. And I have thought about whether it would be fair of me to direct URV to pay the outstanding bills as a way of bringing this matter to a close for her. But, as yet, I'm not persuaded that I can fairly conclude URV has been given the opportunity to handle the negotiation or ascertainment of the debt more appropriately.*

*As I set out above, Ms A's policy does allow URV to take over and deal with the defence/settlement of any claim. And although I have not seen any evidence to suggest that URV has begun negotiations, it may have grounds to obtain a reduction in the amount that has been charged for Ms A's treatment.*

*URV is aware that Ms A is being chased for the outstanding amounts now. So I would expect it to begin cost containment negotiations in a fair and reasonable way – it does, after all, have a duty to deal with claims promptly and fairly, and to act with due care and diligence, paying due regard to Ms A's interests and treating her fairly.*

*I do want to emphasise that URV's duties in relation to its handling of Ms A's claim won't end with this decision, because the matter of the outstanding bills remains live. And again, I think it reasonable to assume that the hospital will likely continue to seek payment of its bills. So it will remain URV's responsibility to take active steps to resolve this matter expediently, and in the interests of all concerned, I urge URV to take its continuing duties to Ms A very seriously.*

*Separate to its negotiation of the outstanding bills, URV has acknowledged it caused an internal delay of about a month in passing Ms A's claim over to its cost containment team. It has already offered Ms A £100 and an apology to recognise that, which I understand Ms A is yet to accept.*

*Compensation is designed to be a fair and proportionate reflection of the impact a business's mistake has had on someone. It would appear that Ms A was not aware she was being chased for outstanding costs until October 2019 – some five months after URV's internal delay had occurred. Prior to that she had been reassured that she wouldn't have to pay for her hospital treatment, and had been asked to forward on any letters that she may in relation to it.*

*The outstanding bills have clearly caused Ms A concern. But I'm not persuaded that I can fairly conclude that URV's early delay caused that concern. I think the concern that Ms S is now understandably facing is because of the debt collection letters she has been receiving. And I don't think that URV have yet had enough opportunity to negotiate the disputed amounts that those letters relate to.*

*As our investigator has explained, the manner in which URV handles Ms A's claim hereafter may give her grounds for a further complaint to this service.*

*In particular, if after the date of my decision URV does not take active steps to ascertain the amount of the debts and discharge any outstanding bills in a fair and reasonable manner, any unreasonable conduct on its behalf in the future is very likely to result in further worry for Ms A, and in a further complaint to this service. (Any such further complaint would have to be based upon URV's conduct of the claim after the date of my decision, as opposed to during the period that I have considered.)*

*The intention behind my decision is to give URV a chance to prosecute its settlement or defence of the debts diligently. If there are failings in it doing that, URV may be at heightened risk (amongst other things) of receiving a direction to pay the bills in full. If that were to happen, that would, of course, be a matter for a different ombudsman to decide in all the circumstances."*

URV accepted my provisional decision, but Ms A did not. In summary Ms A said she had communicated with URV and it should have done more to keep her updated with what was happening. She said the situation had been a stressful time for her, and she explained that she was unsure whether the outstanding debt would impact any future visits to, or hospital treatment in, the US. Ms A also reiterate her concerns about the provisional decision not resolving matters and said she had not received the compensation URV had offered her.

### **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.

Ms A says she sent URV copies of her debt collection letters, but URV says it didn't receive such correspondence. I appreciate Ms A's frustration in relation to this, and it was not my intention to cause her any upset as a result of my provisional decision. But even if I were to find that URV had received copies of the debt collection letters, I'd still not be persuaded that it would be fair of me to direct it to settle the disputed medical bills in full at this point.

As detailed above, URV was not in a position to pay its attempted settlement of Ms A's medical bills until October 2019, and by November 2019 Ms A had asked this service to look into what had happened.

At the point URV made its attempt to settle the bills it would have been aware that the amount it had paid was far less than the amount that had been charged. So I think it should have reasonably been aware the US would dispute matters. But URV has exercised its right to accept liability for Mrs A's claim in line with the terms of her policy, and should be allowed the opportunity to hold meaningful negotiations in relation to the outstanding debts. And so, for the reasons given above and within my provisional decision, I can't fairly conclude that URV has, yet, had enough time to negotiate the outstanding costs in this complaint.

It is clear that Ms A feels very strongly about what's happened and she is, understandably, concerned about the potential impact on future travel to, or medical care within, the US. As both parties will be aware, I did consider directing URV to pay Ms A's bills in full to bring this matter to a close. But because I'm not persuaded URV has yet had enough of an opportunity to cost contain, in all the circumstances I don't currently think such a direction would be fair.

This finding does not mean URV's duties in relation to Ms A's claim now end. As I set out previously, the matter of the outstanding bills remains live and I think it reasonable to assume the hospital will continue to seek payment of them.

URV are aware that it will remain responsible for taking active steps to resolve this matter pragmatically. And again, in the interests of all concerned, I urge it to take its continuing duties to Ms A very seriously. I hope Ms A is able to take some reassurance from this.

For the avoidance of doubt, the way in which URV handles this claim moving forward may give Ms A grounds for a further complaint to this service. If, for example, URV doesn't take active steps to ascertain the amount of the debts (i.e. to have the amount legally due decided or agreed) and discharge any outstanding bills in a fair and reasonable manner after this decision, then any unreasonable conduct on its behalf in the future is very likely to result in further worry for Ms A. And, potentially, a further complaint to this service.

Of course, such a complaint would need to be based on URV's conduct of the claim after the date of this decision, as opposed to during the period that I have considered.

### **My final decision**

My final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms A to accept or reject my decision before 11 March 2021.

Jade Alexander  
**Ombudsman**