

## The complaint

Mr M complains that Society of Lloyd's hasn't settled a claim under his travel insurance policy.

## What happened

Mr M bought a single trip travel insurance policy on 10 February 2020. It covered a trip between 1 April 2020 and 28 May 2020. The insurer was a Lloyd's underwriter.

Mr M was due to fly abroad on 1 April 2020 and go on a sailing trip between 3 April 2020 and 26 May 2020. But on 17 March 2020, the Foreign, Commonwealth and Development Office ('FCDO' – formerly the Foreign and Commonwealth Office ('FCO')) advised against all but essential international travel. The country Mr M was flying to, and where he was due to start his sailing trip, imposed restrictions on travel requirements for people travelling from the UK effective from 18 March 2020 onwards, and further stricter restrictions took effect on 26 March 2020.

The airline cancelled Mr M's flight on or around the 25 March 2020. As he wasn't able to travel abroad, Mr M couldn't join the sailing trip. He made a claim to Lloyd's for the cost of his sailing trip, up to the relevant benefit limit, as he hasn't been able to get a refund from the operator. Even if Mr M would've been able to fly to his intended destination, he wouldn't have been board the sailing vessel because it wasn't allowed to port. Mr M says the sailing vessel, along with its crew, were quarantined. And as policy covered cancellation due to quarantine, he says Lloyd's should pay his claim.

Lloyd's declined Mr M's claim. It said that the circumstances of his loss didn't fall under the specified occurrences under the policy terms and conditions. It said Mr M wasn't quarantined in the UK, and it didn't think the situation with the sailing vessel meant the quarantine term applied. Mr M didn't agree, so he brought a complaint to our service.

Our investigator thought the complaint should be upheld. She said Mr M was unable to go on his trip because of the FCDO advice. She acknowledged that the policy didn't provide cancellation cover due to a change in FCDO advice – but she also noted that the policy excluded cover if Mr M travelled against this advice. Our investigator didn't think it was fair that the policy didn't cover Mr M if he *didn't* travel, but it also didn't cover him if he *did* travel. This was because she didn't think Lloyd's had done enough to highlight these terms to Mr M, and due to the significant imbalance this created between Lloyd's and Mr M.

Our investigator was also satisfied Mr M's losses were irrecoverable. Overall, she thought Lloyd's should consider Mr M's claim as covered under the cancellation section of the policy, and it should assess the claim under the remaining terms and conditions of the policy.

Lloyd's said it wouldn't disagree with our assessment on Mr M's losses being irrecoverable. But other than that, Lloyd's didn't agree with our investigator's findings. In summary, Lloyd's said the following:

- It hadn't relied on the exclusion on a policyholder travelling against FCDO advice. Instead, it declined it because the circumstances here didn't meet any of the specified occurrences that the policy covered.
- It asked for the evidence to show that Mr M would've bought a different policy had he realised this policy didn't provide cover if the FCDO advice changed.
- It didn't agree that a failure to highlight the FCDO exclusion created a significant imbalance in the rights between the parties.
- A failure to highlight an exclusion should only prevent the insurer from relying on it, and not result in an extension of cover beyond the premium paid.
- The issue here wasn't what restrictions the FCDO had placed on international travel – rather, it was the interpretation of the word “quarantine”.
- Mr M would've been aware of the potential risk of Covid-19, and the risk of the FCDO advice changing, when he bought the policy on 10 February 2020.
- It was the lockdowns in the UK, and in the country where Mr M was due to fly to, that prompted Mr M to claim – rather than the change in FCDO advice.
- Up until his claim, Mr M could've cancelled his policy and received a full refund, which he could've used to buy a more suitable policy.

As no agreement was reached, the complaint 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.

Industry rules set out by the regulator (the Financial Conduct Authority) say insurers must handle claims fairly and shouldn't unreasonably reject a claim. I've taken these rules, and other industry guidance, into account when deciding what I think is fair and reasonable in the circumstances of Mr M's complaint.

#### The circumstances leading to Mr M's claim

As our investigator explained, we have an inquisitorial remit. I know Mr M has raised specific arguments why he thinks Lloyd's should pay his claim, and Lloyds has addressed this specifically – how the term “quarantine” should be interpreted. But fundamentally, Mr M is unhappy that Lloyd's has declined his claim. So, that's the complaint I've looked at. Having done that, I don't think I need to make a finding on the arguments about “quarantine”. That's because I don't think Lloyd's has treated Mr M fairly for another reason.

I've thought about what both parties have said about the reason for Mr M's claim. I can see Lloyd's has now said this was due to government lockdowns. But in its final response letter to Mr M Lloyd's said the reason he couldn't travel was due to the various travel restrictions put in place by governments due to Covid-19.

Overall, at the point when Mr M couldn't go on his trip, the FCDO advice against international travel was in place. So, I do think this is relevant to Mr M's claim.

#### The policy documentation

I'm satisfied that our investigator identified, and set out, the relevant industry rules and guidance which apply to the specific circumstances of this complaint. The investigator also highlighted, and referred to, the key documents which are relevant to this complaint.

The Insurance Product Document ('IPID') summarises the cover available. It doesn't refer to any exclusions for travel against FCDO advice.

The policy terms and conditions say on page 18 under "General Exclusions" that:

*"21. Travelling to a country where the Foreign and Commonwealth Office have advised against all but essential travel."*

Was it unreasonable for Lloyd's to decline the claim?

I think it's fair and reasonable for Lloyd's to treat the claim as covered under the cancellation section of the policy. I'll explain why.

As I've explained, I think Mr M's trip was cancelled because the FCDO advised against all but essential travel to the destination he was due to travel to, to start his sailing trip. Having looked at the chronology of events I can see that the flight, and the trip, were cancelled following the change in FCDO advice. I'm satisfied that this was the main reason for the trip being cancelled as Mr M was unable to travel to his destination to meet the boat. Had he done so, he'd have been travelling against FCDO advice.

It's not in dispute that a change in FCDO advice isn't something that's covered under the terms and conditions of the policy as it's not a specific or listed insured event. However, taking into account the relevant law and industry guidelines, I don't think that leads to a fair and reasonable outcome in the circumstances of this complaint. I'll explain why.

The exclusion that I've outlined above means that if Mr M had travelled abroad, he wouldn't have followed FCDO advice. So, he wouldn't have been covered by the policy terms and conditions. But, under the terms and conditions of the policy, changes in FCDO guidance also aren't covered – so he wasn't covered if he cancelled the trip because of this. That means that Mr M wasn't covered if he didn't travel due to FCDO advice, and he wasn't covered if he did travel due to FCDO advice. I don't think this was made sufficiently clear to Mr M.

Mr M would've needed to read the full policy terms and conditions in order to understand that this set of circumstances wasn't covered, and to understand the full effect of the policy terms. I don't think this information was brought to his attention in a prominent and transparent way. So, I don't think the combined effect of the policy terms was made sufficiently clear.

I think this created a significant imbalance in the rights and interests of Mr M and Lloyd's. At the time Mr M bought the policy, there were other policies widely available on the market that would've covered this situation. On balance, I think it's unlikely Mr M would've purchased the policy if he'd realised that there was no cover under the policy if the FCDO guidance changed after he'd bought the policy. I think it's more likely that he'd have purchased a policy which covered him for cancellation due to a change in FCDO advice had he been given clearer information about what this policy covered.

Lloyd's has requested evidence that Mr M would have purchased another policy. I don't think that is evidence that is, or could, be available. As I've outlined above, on balance, I think it's most likely Mr M would have opted to take out a policy which offered him cover for a change in FCDO advice.

Lloyd's says that Mr M could've cancelled this policy and taken out another policy at any point before making a claim. But in saying this, Lloyd's is ultimately saying Mr M would've understood the full effect of the policy terms. And as I've already explained, I don't think he did. So, I don't think Lloyd's argument is persuasive.

I know Lloyd's didn't decline the claim due to the FCDO exclusion. But while the reason for cancellation here isn't strictly covered by the policy, if Mr M had travelled it seems that he wouldn't have been covered by the policy at all. That's because he would've travelled against FCDO advice. So, had he travelled and made a claim, I think it's likely the exclusion would've applied in his circumstances.

Additionally, as I've explained above, I'm not upholding this complaint solely because Lloyd's didn't highlight the FCDO exclusion – I'm upholding it because the full effect of the policy wasn't made sufficiently clear to Mr M. I've taken into account that Lloyd's has said the failure to highlight the exclusion shouldn't lead to cover being available under the policy. This doesn't change my thoughts about the outcome of this complaint as I don't think it leads to a fair and reasonable outcome. I think it's fairer that the claim is considered under the cancellation section as I think that more fairly reflects the detriment Mr M experienced.

Lloyd's says Mr M would've been aware of the potential risk of Covid-19, and the risk of the FCDO advice changing, when he bought the policy on 10 February 2020. I don't agree. For example, the World Health Organisation ('WHO') didn't declare Covid-19 a pandemic until 11 March 2020.

Finally, I'm satisfied that Mr M has made reasonable attempts to seek a refund from the operator. I don't think it would be reasonable for him pursue this further, such as through the courts, instead of claiming on his insurance policy. I also note that the sailing trip went ahead, but the issue was that Mr M couldn't join it due to the change in FCDO advice and the subsequent cancellation of his flight. So, I'm satisfied Mr M's losses are now irrecoverable.

### **Putting things right**

I'm directing Society of Lloyd's to treat the claim as covered under the cancellation section of the policy. Society of Lloyd's should therefore assess the claim under the remaining terms and conditions of the policy.

### **My final decision**

For the reasons I've explained, I uphold Mr M's complaint against Society of Lloyd's and direct it to put things right in the way that I've outlined above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 7 April 2022.

Renja Anderson  
**Ombudsman**