

## **The complaint**

Mrs W complains because Great Lakes Insurance SE hasn't offered to refund the premiums she paid for an annual-multi trip travel insurance policy.

## **What happened**

Mrs W purchased an annual-multi trip travel insurance policy, provided by Great Lakes. The policy was purchased on 6 August 2019, to cover worldwide trips of up to 45 days duration. The policy started on 6 August 2019 and ended on 5 August 2020.

Mrs W paid a total of £759.63 including Insurance Premium Tax (IPT) for the standard level of annual multi-trip travel insurance cover, which also covered her for a number of declared medical conditions.

On 2 June 2020, Mrs W contacted Great Lakes to request a partial refund of her travel insurance premium because she said she'd only been able to take one holiday and therefore had been unable to travel as she'd intended due to the Covid-19 pandemic.

Great Lakes informed Mrs W that a refund couldn't be provided as her "cooling off" period had expired. But Mrs W wasn't happy with Great Lakes' response to her refund request and complained to our service.

After Mrs W referred her complaint to us, Great Lakes stated it was prepared to offer a partial premium refund of £75.96 due to a change in its approach relating to annual policy travel insurance refunds. Mrs W rejected this offer.

Mrs W's complaint was considered by one of our investigators, who acknowledged the unique and unprecedented circumstances of Covid-19. They set out the details of the relevant cancellation rights and how they applied in the circumstances of this case. That means it's not unreasonable for an insurer to keep any premiums relating to the risk it covered during that time.

Our investigator explained that Covid-19 didn't make it impossible for the contract of insurance to be performed because cover under the policy started on 6 August 2019 and the policy covered various risks during that time. And they thought the offer Great Lakes had made after Mrs W had referred her complaint to our service was fair and reasonable.

Great Lakes agreed with our investigator's view of this complaint and confirmed that its partial refund offer remained available. But Mrs W didn't agree and requested an ombudsman's assessment. I've therefore been asked to decide what is a fair and reasonable way of resolving this complaint.

## **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.

Our investigator identified, and set out, the rules, regulations and law. I agree those are the relevant considerations which apply to the specific circumstances of this case.

I can see that Mrs W has made our service aware of how other insurers have dealt with travel insurance refund requests. But this service considers complaints on an individual basis. So, it's not our role to comment on the wider industry issues Mrs W has raised.

The terms and conditions of Mrs W's travel insurance policy with Great Lakes state:

*"You have a right to cancel up to 14 days from the date your policy commences, or the date on which you receive your policy documentation, whichever is the later... After the statutory cooling-off period you may cancel the policy at any time by contacting us, but no refund of premium will be available."*

Like our investigator, I don't think it's fair and reasonable for Mrs W to receive the refund of the premiums she requested because:

- Cover under Mrs W's policy commenced immediately once it had been purchased, which is confirmed by the insurance documentation she received. I'm satisfied Mrs W was reasonably made aware of the terms that applied to her policy, which are typical of the cancellation terms found in most travel insurance policies.
- Mrs W didn't contact Great Lakes to discuss a refund of her policy until 2 June 2020. And she didn't request the cancellation of her policy at any time. Even if she had done during her conversation on 2 June 2020, this would have been outside the cooling off period. So, there wouldn't have been a requirement under the relevant industry rules and guidelines for the insurer to offer a refund. I say this because it's a fundamental principle of insurance law that if the insurer had started to bear risk – for however short a time – the premium paid is not returnable.
- As I've outlined above, the contract of insurance says that no refund is due for cancellation outside the cooling off. I understand that the pandemic may have prevented Mrs W travelling as she'd have liked or intended and that this was beyond her control. So, I've thought about whether it would be fair and reasonable to ask Great Lakes to depart from industry rules and the terms and conditions of Mrs W's contract because of the exceptional and extraordinary circumstances surrounding Covid-19.
- Covid-19 was an unanticipated and unforeseen event, outside of the control of both parties to the insurance contract. However, Covid-19 didn't make it impossible for Mrs W's contract with Great Lakes to be performed – this is because cover under the policy started on 6 August 2019.
- Mrs W was insured from 6 August 2019 for travelling on any number of worldwide trips of up to 45 days duration which she may have taken until the policy expired. Mrs W has said she only had the opportunity of travelling once due to the pandemic.
- I acknowledge Mrs W's candour in relation to the travel she said she was able to undertake while covered by this policy. But, because of the way annual multi-trip insurance policies work, an insurer has no way of knowing how many such trips a policyholder has taken since their policy was inception. Even if there was only one holiday, Mrs W made use of her annual policy and Great Lakes was covering the risk of a claim during the time the policy was in force.

- The price set by Great Lakes covered Mrs W for the cancellation of any holidays which she had booked and was due to take from 6 August 2019 until 5 August 2020. So, she would have been covered if she had had to cancel any number of holidays because of any listed events insured under the policy including, for example, Mrs W falling ill with her declared pre-existing medical conditions.
- So, Great Lakes covered the risk of Mrs W making a successful cancellation claim for any number of pre-booked holidays, or the risk of travelling on any number of holidays, from 6 August 2019 until 5 August 2020. It's a fundamental principle of insurance law that, if the insurer had commenced to bear the risk concerned – for however short a time – the premium paid is not returnable. So, regardless of what Mrs W's cancellation rights were, it isn't unfair for Great Lakes to retain the premiums relating to the risk it covered.
- As I mentioned in the background to this complaint, Mrs W contacted Great Lakes on 2 June 2020 to request a partial refund of her policy premium. By this time, her policy had 64 days left to run before it expired.
- I've already explained that Mrs W didn't cancel her policy at any time. It therefore ran to full term until its expiry on 5 August 2020. So, it wouldn't be unreasonable for Great Lakes to decline to refund any of the premium Mrs W paid.
- After Mrs W referred her complaint to our service, Great Lakes offered to resolve this complaint by refunding £75.96 or 10% of the premium she paid. This presents a change in Great Lakes' initial proposed resolution to Mrs W's complaint.
- I understand that Mrs W feels she should receive a higher premium refund because she hasn't been able to use her policy as much as she'd intended. But I think Great Lakes has acted reasonably here in its offer to resolve Mrs W's complaint because it's treated the date she first contacted it in the same way it would have done had she requested the cancellation of her policy at that time.
- If Mrs W had requested that Great Lakes cancel her policy on 2 June 2020, she'd have been on cover for around 301 days. I've seen evidence showing that the refund offered was based on the length of time Mrs W's policy had left to run at the time she contacted Great Lakes to discuss a refund – even though she didn't cancel her policy at that point and Great Lakes therefore continued to bear a risk until 5 August 2020.
- In the overall circumstances of this complaint I wouldn't have directed Great Lakes to refund any of the premium Mrs W paid. So, I think the offer Great Lakes made to refund 10% of the premium paid is both fair and reasonable.
- Mrs W has rejected Great Lakes' offer to settle her complaint. However, the refund it offered is still available. I've clarified that the offer would be paid as a cash settlement either via a cheque or by Great Lakes crediting the card Mrs W used to purchase her policy.
- To resolve this complaint, Great Lakes should make a payment of £75.96 to Mrs W in line with the offer it made. But I'm not going to direct it to do anything further.

**Putting things right**

To resolve this complaint Great Lakes should make a cash payment of £75.96 to Mrs W for the reasons outlined above.

**My final decision**

My final decision is that I uphold this complaint in part. To resolve Mrs W's complaint, Great Lakes Insurance SE should put things right in the way I've outlined above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs W to accept or reject my decision before 20 March 2022.

Julie Mitchell  
**Ombudsman**