

## **The complaint**

Mr and Mrs T are unhappy that Chaucer Insurance Company Designated Activity Company declined a claim they made on their travel insurance policy.

## **What happened**

Mr and Mrs T booked a holiday abroad - to a country I'll refer to as 'S' - for them and their children in around January 2020. They were due to travel on 10 August 2020 to stay in a villa and return 11 days later.

They had the benefit of a single trip 'premierplus' travel insurance policy underwritten by Chaucer ('the policy'). The dates of cover coincided with the dates of their intended holiday in August 2020.

On 17 March 2020 the Foreign and Commonwealth Office (FCO) advised against all but essential international travel due to the impact of the Covid-19 pandemic ('the FCO advice'). That included travel to S.

A few months later the FCO announced exemptions to the FCO advice in respect of travel to certain countries, known as "travel corridors". A travel corridor was put in place between the UK and S.

However, from 26 July 2020, the FCO warned against non-essential travel to S. That advice remained in place on the date on which Mr and Mrs T cancelled their villa abroad on 8 August 2020 and when they were due to travel, two days later.

At the date on which they cancelled the villa, Mr and Mrs T also say their daughter had tested positive for Covid-19 a few days before and was required to self-isolate.

Mr and Mrs T made a claim on the policy for their pre-paid costs including the costs of the villa and their family's flights. On their claim form they listed the cancellation reasons as Covid-19 and following government advice not to travel.

Chaucer declined the claim on the basis that the cancellation section of the policy doesn't list a pandemic, infectious disease or cancellation due to FCO advice as insured events. And although the policy does provide cover if the trip was cancelled due to the illness of any of the named persons on the policy schedule (of which Mr and Mrs T's daughter was one), because Mr and Mrs T's daughter was unable to provide a medical certificate from a doctor confirming her illness and why this prevented her from travelling, it didn't accept the claim.

Unhappy, Mr and Mrs T complained to our Service. Mr and Mrs T have said they've been able to recover some of the villa costs from a third party. But as their flights did go ahead, they've been unable to reclaim a refund from the airline.

Our investigator ultimately recommended that Chaucer should reassess the claim outside of a strict interpretation of the policy terms and conditions. This was on the basis that it wouldn't be fair or reasonable for Mr and Mrs T to be left in a position where they had no cover for

cancelling the trip due to a change in FCO advice but to also have no cover if they'd gone ahead and travelled.

Chaucer disagreed so this 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.

I'm satisfied that our investigator identified, and set out, the relevant industry rules and guidance which apply to the specific circumstances of this case in his view dated 12 November 2021. The investigator also highlighted, and referred to, the key documents which are relevant to this complaint.

#### The policy documentation

The Insurance Product Information Document ('IPID') summarises the cover available. On page one it says:

*"This Insurance Product Information Document is only intended to provide a summary of the main coverage and exclusions, it does not replace the policy terms and conditions. Complete pre-contractual and contractual information on the product is provided in your policy documentation"*

Under the "what is not insured?" section (also on page 1) it says:

*"Travelling to a country or to an area where, prior to your trip commencing, the FCO have advised against all (but essential) travel"*

Pages 11 and 12 of the policy sets out the general exclusions applying to the policy. It excludes on page 11 (clause 18):

*"Any claim arising as a direct result of a situation highlighted by the Foreign and Commonwealth Office where you have travelled to a specific country or to an area where, prior to your trip commencing, the Foreign and Commonwealth Office have advised against all (but essential) travel"*

Page 20 of the policy sets out the circumstances under which Chaucer provides cover for cancellation or curtailment charges. These are:

- *The death, bodily injury, illness, disease, or complications of pregnancy of:*
  - a) *You*
  - b) *any person who you are travelling with*
  - c) *any person who you have arranged to stay with*
  - d) *your close relative*
  - e) *your close business associate.*
- *You or any person who you are travelling with being quarantined on the orders of a treating doctor, called as a witness at a Court of Law or for jury service attendance.*
- *Redundancy of you or any person who you are travelling with (which qualifies for payment under current UK redundancy payment legislation, and at the time of booking the trip there was no reason to believe anyone would be made*

redundant).

- *You or any person who you are travelling with, are a member of the Armed Forces, Territorial Army, Police, Fire, Nursing or Ambulance Services or employees of a Government Department and have your/their authorised leave cancelled or are called up for operational reasons, provided that the cancellation or curtailment could not reasonably have been expected at the time when you purchased this insurance or at the time of booking any trip, which occurred or became apparent within 5 days prior to the commencement of your trip or during the course of your trip.*
- *The Police or other authorities requesting you to stay at or return to your home due to serious damage to your home caused by fire, aircraft, explosion, storm, flood, subsidence, fallen trees, collision by road vehicles, malicious people or theft.”*

#### Was it unreasonable for Chaucer to decline the claim?

Chaucer has an obligation to consider claims promptly and fairly. And it mustn't unreasonably decline an insurance claim.

In this particular case, I'm satisfied that it's fair and reasonable for Chaucer to treat the claim as covered under the cancellation and curtailment section of the policy. That's because:

- Although the trip was cancelled due to a combination of factors including the FCO advising against all but essential travel to S and their daughter contracting Covid-19, I don't think they would've travelled to S as planned on 10 August 2020 because of the FCO changing its advice on 26 July 2020. And that was the main reason for cancelling the trip. Afterall, had they decided to travel against FCO advice, there would've been limited cover under the policy. Chaucer has also accepted in its response to our investigator's view dated 16 November 2021 that: *“the reason the holiday was cancelled was the change in FCO advice at the time, as a result of the Covid-19 pandemic...”*
- I accept that under the cancellation and curtailment section of the policy having to cancel a trip abroad due to the outbreak of a pandemic or changes in FCO - or other government advice - aren't listed as specific insured perils. However, considering the relevant law and industry guidelines, I don't think that leads to a fair and reasonable outcome in the circumstances of this case for the reasons I'll go on to explain.
- The FCO exclusion means that if Mr and Mrs T, and their children, had travelled abroad they'd have not followed FCO advice. So, as I've stated above, cover under the policy would've been limited. But, under the terms and conditions of the policy, changes in FCO guidance which led to the cancellation of a trip also isn't covered by the policy. I don't think that was made sufficiently clear to Mr and Mrs T in this case.
- The IPID is designed to make sure customers have essential information about the policy in a way that's easy to understand. I don't think it was made prominent in the IPID that *cancellation claims* due to FCO advice against all but essential travel to a particular destination isn't included in the 'What is not insured' section of the IPID. The IPID only contains the general exclusion that policyholders won't be covered if they travel against FCO advice.
- Mr and Mrs T would've needed to read the full policy terms and conditions and cross

reference different sections of the policy – in conjunction with the IPID - to understand that this set of circumstances wasn't covered. So, I don't think this information was brought to their attention in a prominent and transparent way. I'm satisfied the combined effect of the policy terms and IPID means it wasn't made reasonably clear or obvious to a reasonable policyholder that they'd have no cover under the policy if they travelled against FCO advice. But there would also be no cover in place if their travel plans were cancelled on the basis of FCO advice changing in between buying the policy and their intended departure date, as is what happened here.

- The section of the policy explaining what will be covered if they had to cancel the holiday, on page 20, is in plain English. But the FCO exclusion isn't presented in the same place or specifically mentioned in the cancellation exclusions – although the general exclusions are referred to. But the general exclusions are earlier in the policy document at pages 11 and 12. And the consumer would need to cross refer these sections of the policy to comprehend how these terms all interrelated to one another, and to understand the effect of the FCO exclusion.
- I agree with our investigator that this created a significant imbalance in the rights and interests of Mr and Mrs T and Chaucer which is unfair in this case. I think it's unlikely that Mr and Mrs T would've bought the policy had they realised that there was no cover under the policy if the FCO guidance changed after they'd bought it and needed to cancel their trip because of this.

I accept that it's not practical for the terms and conditions of a policy – or an IPID – to list every possible insured peril and/or every possible exclusion. I've also considered that it's common for the cancellation and curtailment section of travel insurance policies to list the specific insured perils that are covered. However, the issue I'm considering in this case is whether it was clearly signposted to Mr and Mrs T that there would be limited cover under the policy if they travelled against FCO advice but they'd also not be covered if they had to cancel their trip because of FCO advice changing between taking out the policy and the intended dates of travel, based on the policy documentation. And, for the reasons set out above, I don't think it was.

I've taken into account Chaucer's point that it's for Mr and Mrs T to read the full terms of the policy. I note that the policy had a cooling off period and so Mr and Mrs T could've cancelled within that period if they didn't think the policy met their needs. However, even if Mr and Mrs T did read the full terms, for the reasons set out above, I don't think it would've reasonably been clear to them that there was no cover under the policy if the FCO guidance changed after they'd bought it but before they departed for their trip.

Chaucer has also said that if the complaint was upheld, it would be treating Mr and Mrs T more favourably than many other policyholders whose claims have been declined and complaints repudiated on the same basis. It's also said that there have been other occasions when our Service has agreed with the reasons for declining a claim for similar reasons to Mr and Mrs T's claim. However, I've considered the individual circumstances of this particular case against the terms and conditions of the policy Mr and Mrs T had the benefit of.

### **Putting things right**

Chaucer should treat Mr and Mrs T's claim as covered under the cancellation and curtailment section of the policy. And Chaucer should assess the claim under the remaining terms and conditions of the policy – including (but not limited to) the financial limits of the policy, and any applicable excess.

**My final decision**

I uphold Mr and Mrs T's complaint. I direct Chaucer Insurance Company Designated Activity Company to put things right in the way I've set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr and Mrs T to accept or reject my decision before 8 April 2022.

David Curtis-Johnson  
**Ombudsman**