

The complaint

Mr and Mrs L complain UK Insurance Limited (UKI) unfairly declined their claim for costs following the curtailment of their holiday.

What happened

Mr and Mrs L have travel insurance through their packaged bank account, which is underwritten by UKI. They travelled abroad on 13 March 2020, to their initial destination and were due to travel onward to a nearby group of islands.

On 14 March 2020, due to the Covid-19 pandemic, the Foreign and Commonwealth Development Office advised against all but essential travel to the country Mr and Mrs L were visiting. So, Mr and Mrs L changed their return flight to an earlier flight back to the UK, leaving on 18 March 2020. They remained at their first destination, staying in a hotel until they could return home. And they had to return to a different airport in the UK, much further from where they live, as flight options were limited.

Mr and Mrs L received a refund from their travel provider for their onward travel and accommodation relating to the islands they'd planned to visit. And they made a claim against their policy for costs including the four nights they stayed in a hotel, their return flights to the UK, and car hire due to returning to a different UK airport.

Mr and Mrs L's policy sets out the curtailment cover as follows.

"We will cover you for your:

Unused accommodation costs and travel costs (including car hire, excursions and activities);

Reasonable additional accommodation costs to allow you to return home early; and

Reasonable additional travel costs that allow you to return home early if you cannot use your return ticket that you have paid or legally have to pay if you unavoidably need to abandon your trip while you are away for one of the following reasons:

....The Foreign and Commonwealth Office advising against "All Travel" or "All but essential travel" to your destination, providing the advice came into force after your departure on your trip."

"If you booked your flight or accommodation with Avios or similar promotional schemes we will pay for the cost of replacing the used points or miles, or if replacing points or miles is not possible, a monetary alternative at the current published rate."

UKI declined the claim. It said Mr and Mrs L hadn't incurred any additional costs in changing the date of their return flight with the airline. And in respect of the other elements of the

claim, it said the refund Mr and Mrs L received from their travel provider outweighed the costs they incurred, so there was no loss.

Mr and Mrs L complained. And UKI said it thought its claim decision had been correct, as Mr and Mrs L hadn't incurred additional costs above what they had originally paid for their flights and accommodation. However it said its communication throughout the claim had been poor, and paid £100 in compensation.

Unhappy with UKI's response, Mr and Mrs L brought their complaint to this service. They said although they had paid for part of their flights using airmiles, the policy says it will pay the cost of replacing these, or a monetary equivalent. And they said their other costs including accommodation and car hire were additional costs, and should also be covered.

An investigator here looked into what had happened and ultimately said they thought UKI hadn't unfairly declined the claim for the flight and accommodation costs. However, they thought UKI should pay the claim for the additional expense of car hire.

UKI made no further comments. However Mr and Mrs L disagreed and asked for a decision from an ombudsman. And so the case has been passed to me.

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've looked at the relevant rules and industry guidelines, which say UKI has a responsibility to handle claims promptly and fairly and shouldn't reject a claim unreasonably.

UKI said it accepted it had communicated poorly with Mr and Mrs L during the claims process, causing delays. And it paid £100 in compensation. As it seems this matter was not in dispute by Mr and Mrs L when they brought their complaint to our service, I won't comment on it further in this decision.

Mr and Mrs L have said their trip was a total waste of their time and money. I can appreciate their feeling on this, and understand how disappointed they must have been to be unable to reach their ultimate destination and enjoy their holiday as planned. However, their travel insurance policy does not cover loss of enjoyment. So, whilst I understand Mr and Mrs L would like UKI to pay all of the costs relating to their return flights to the UK and hotel accommodation, it wouldn't be fair for me to direct UKI in that way. And I'll explain why.

Flight costs

Mr and Mrs L's policy is designed to cover additional travel expenses in the event of a curtailment, such as in the circumstances of this case. However, they travelled on both their outbound and return flights. The costs of these would always have been incurred had the trip gone to plan, and Mr and Mrs L didn't have to pay anything more to change the date of their return flight to the UK. So I don't think it's unfair that UKI didn't consider the cost to be an additional travel expense.

Had they been unable to amend their original return flights with the airline, Mr and Mrs L have said another option was to book with a different airline at a cost of €3,000 each. And they believe in this scenario, UKI would have covered the costs of those flights. I've thought about this, and the implication of the airmiles which were used to book the original flights, and still used once the flights were amended.

And I've considered the policy terms around curtailment, including the clause around airmiles. But I don't think UKI needed to cover any of the cost of new return flights to the UK, unless this was over and above the cost of the original flights.

Mr and Mrs L used airmiles to pay for part of their flights, and these have a monetary value. So they received a refund of the airmiles used in respect of their original return flights to the UK, and paid in cash for the new flights, it would still only be reasonable to expect UKI to cover any difference in costs, over and above the cash value of the original flights. And as I've explained, Mr and Mrs L didn't have to pay anything extra to change the date of their flights back to the UK, so I'm satisfied there was no additional travel expense which UKI should cover.

Accommodation costs

Mr and Mrs L's trip was due to last for around 10 nights, and they had accommodation booked for each night of their stay, which was a combination of hotel and boat accommodation. When Mr and Mrs L had to cut their trip short, they didn't join their originally booked boat trip, and received a refund from the travel provider. And they booked alternative hotel accommodation at their initial destination, to use until they were able to fly home.

UKI has said it doesn't consider this hotel accommodation cost to be an additional travel expense, as the refund Mr and Mrs L received outweighs the costs they had to pay. In line with the policy terms, Mr and Mrs L were entitled to claim for reasonable additional accommodation costs to allow them to return home early. And they would always have needed accommodation for each night they were abroad, whether this had been on a boat as planned, or in a hotel. So some costs would always have been incurred for accommodation.

I've considered the cost of the four nights Mr and Mrs L spent in the hotel, alongside the costs of the boat accommodation which was refunded. And as the hotel stay for four nights cost less than the same proportion of the originally planned boat accommodation, I don't think it unfair that UKI declined to cover the hotel costs because there's effectively no monetary loss here.

Car hire

Mr and Mrs L claimed for the costs of car hire to get home on their return to the UK. Their original return flights were to a UK airport closer to where they live, and they'd parked their car at that airport. When attempting to arrange flights to return to the UK early due to the restrictions, they were unable to book flights to their closest airport.

The flight they ultimately booked was to a different part of the UK, and they hired a car to enable them to return home. This is an expense Mr and Mrs L would not have had to pay had their trip gone according to plan, as they would have returned to the airport where their car was parked. I'm persuaded this is a reasonable additional travel cost and is covered by the terms. So, I think it's fair and reasonable in the circumstances, that UKI cover the cost of the car hire.

My final decision

For the reasons I've given, it's my final decision that I uphold this complaint in part. And I direct UK Insurance Limited to pay Mr and Mrs L's claim for the cost of their car hire, subject to any applicable excess. Plus interest at 8% from the date the claim was originally declined, to the date of settlement.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr L and Mrs L to accept or reject my decision before 14 April 2022.

Gemma Warner
Ombudsman