

The complaint

Mr and Mrs L are unhappy U K Insurance Limited (UKI) declined a claim they made on their travel insurance policy.

What happened

Mr and Mrs L had travel insurance cover attached to their packaged bank account. This policy was underwritten by UKI.

On 14 March 2020 Mr and Mrs L travelled abroad and were scheduled to return on 4 April 2020. Three days after their departure, due to Covid -19, the Foreign, Commonwealth and Development Office (FCDO) introduced guidance advising against all but essential travel abroad. This then escalated on 17 March 2020 to advising all UK citizens against travel abroad. On 23 March 2020 the FCDO advised all UK citizens to return home if they were travelling abroad.

Mr and Mrs L cut short their holiday by 12 days. They managed to arrange an earlier flight home, at no additional cost, through their airline and returned to the UK.

Mr and Mrs L had costs for unused accommodation and car services they'd booked directly through the providers. So, they contacted the suppliers and were able to recover the majority of their losses. However, due to the fluctuation in exchange rates between the time of booking and the refund, Mr and Mrs L incurred a loss of £568. So, they submitted a claim to UKI for their insurance to cover this shortfall.

UKI declined the claim because it said any loss caused by changes in currency exchange rates is excluded under the policy.

Mr and Mrs L thought it was unfair for UKI to apply this exclusion because if the FCDO announcement about all but essential travel had taken place 3 days earlier, then they wouldn't have left the UK and would be making a claim for the cancellation costs of the whole trip. Mr and Mrs L said as the exchange rate loss is much smaller in comparison, in the circumstances, they think Aviva should use their discretion and cover their claim.

Mr and Mrs L also said UKI told them they would have considered any additional cost of a new flight to get home if Mr and Mrs L had needed to book one. Mr and Mrs L say this also would have cost much more than the exchange rate loss they are asking for, so it's reasonable for Aviva to accept the claim.

UKI maintained its position and said the claim wasn't covered. So Mr and Mrs L referred the matter to this service.

One of our investigators looked into what had happened and he thought UKI had acted fairly and in line with their policy terms. Mr and Mrs L didn't agree and asked for an ombudsman to review the case. In summary they said they'd done all the hard work to mitigate their losses and retrieve refunds from the providers to prevent UKI having to cover those cost. So they said it feels unfair UKI won't pay the difference they've lost from the exchange rate.

So now the case 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.

The relevant rules and industry guidelines say that UKI has a responsibility to handle claims promptly and fairly. And they shouldn't reject a claim unreasonably.

I appreciate Mr and Mrs L were in a difficult situation - being abroad when local and UK restrictions started to come into place must've been worrying. I'm pleased to hear they were able to get back to the UK promptly by helpful staff at their airline. And then once back in the UK they worked hard to mitigate their own losses and were successful in obtaining refunds from the providers for their unused car services and accommodation.

However, it doesn't automatically follow that the insurer is responsible for any shortfall that remains. I would expect UK to assess a claim against the policy terms and apply any exclusions that are relevant.

Under the section about cutting short a trip, the relevant terms say:

You are covered for

- *Unused commercially operated accommodation and travel costs.*
- *Unused car hire.*
- *Unused excursions and activities.*
- *Unused kennel, cattery or professional pet sitter costs.*
- *Unused car parking costs.*
- *If you have to return home early and you can't use your return tickets we will pay reasonable costs for additional accommodation and travel.*
- *The value of used points or miles if you booked your flight or accommodation using Avios or a similar promotional scheme.*

The reasons for cutting short a trip include:

5. FCO travel advice: Foreign & Commonwealth Office advice against 'All travel' or 'All but essential travel' to your destination, provided that advice came into force after your departure on your trip.

Mr and Mrs L decided to cut their trip short due to a change in FCDO advice relating to their destination, which came into force after their departure. So, based on the above terms they would have been able to claim for their unused car and accommodation costs, in addition to the costs of any new flights to get them back to the UK.

But, like most travel insurance policies, Mr and Mrs L's policy excludes any costs that can be recovered from elsewhere. So they'd have always needed to try and recover their losses directly from the providers before UKI would deem that loss irrecoverable. I can see Mr and Mrs L put significant work into recovering refunds directly from the providers, so they didn't need to form part of their claim. But this is something that they would likely have been required to do in any case, to make a successful claim.

Mr and Mrs L said it was unfair for UKI to apply the exclusion that says they "*will not pay for any loss caused by changes in currency exchange rates*". But I think UKI were fair to apply

this relevant exclusion to the circumstances of Mr and Mrs L's claim. Insurers are entitled to decide what risks they will, and won't, cover. And I think Mr and Mrs L's losses fall clearly within the relevant exclusion.

Mr and Mrs L argue if the FCDO announcement on 'all but essential travel' had taken place before they'd left the UK 3 days earlier, they'd be making a cancellation claim for the cost of their whole trip. This would've been much more the exchange rate loss, so they think it's reasonable for UKI to use their discretion and cover their smaller claim. But it would be unfair for me to ask UKI not to apply the exclusion on the basis that they could have ended up paying a claim for a higher value.

Although exchange rate losses aren't covered, Mr and Mrs L did still have the other benefits of their insurance policy before they left the UK and whilst they were abroad. UKI told Mr and Mrs L they would've considered covering the cost of a separately booked flight home under the curtailment section of the policy - if Mr and Mrs L hadn't been fortunate enough to have obtained last minute seats from their airline. This shows one of the benefits of the cover they had in place, had Mr and Mrs L found themselves in a position to need it.

And as explained above, it would be unreasonable for me to ask UKI to pay this claim just because circumstances meant they potentially avoided a claim for a higher amount. I would expect UKI to decide this claim on the basis on what did happen, not something that could've happened.

I also need to decide the outcome of this complaint based on what did happen, as opposed to what might have happened. Unfortunately, there's just no cover under this policy for the situation in which Mr and Mrs L have found themselves in. I understand this is disappointing as I can see Mr and Mrs L feel strongly about their claim. But I'm satisfied UKI were fair to apply the relevant exclusion to Mr and Mrs L's circumstances. And I don't think there are reasonable grounds upon which I could fairly ask UKI to accept this claim.

My final decision

I'm not upholding this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs L and Mr L to accept or reject my decision before 30 March 2022.

Georgina Gill
Ombudsman