

The complaint

Mr and Mrs C are unhappy that Union Reiseversicherung AG has declined a claim they made on their travel insurance policy.

What happened

In October 2019 Mr and Mrs C took out an annual insurance policy underwritten by URV. In November 2019 Mr and Mrs C booked a holiday to an island I'll refer to as C. They paid for their flights and accommodation separately.

In March 2020 Covid-19 was declared to be a pandemic and on 17 March 2020 the Foreign and Commonwealth Development Office (FCDO) advised against all but essential travel abroad.

During the summer of 2020 the UK government introduced 'travel corridors'. In September 2020 the island Mr and Mrs C were due to visit was removed from the travel corridor list and the FCDO advised against all but essential travel to C. Following this Mr and Mrs C cancelled their holiday. They attempted to get a refund from their accommodation provider, but were unable to do so. They claimed on their travel insurance policy. URV declined the claim on the basis that it wasn't covered under the policy. Mr and Mrs C complained but URV maintained their decision to decline the claim.

Mr and Mrs C made a complaint to our service. Our investigator looked into what had happened and upheld the complaint. She didn't think the policy made it sufficiently clear that Mr and Mrs C weren't covered if they travelled against FCDO advice but also not covered if they cancelled. URV didn't agree – they said that the contract of insurance set out what was and wasn't covered. And they said it was up to Mr and Mrs C to see if the policy met their needs. So, I need to make a decision.

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. 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:

Unless agreed with us there will be no cover if the FCO advise against travel to your destination.

On page 16 of the policy terms and conditions it sets out the circumstances in which cancellation is covered under the policy. It says:

We will pay you up to the amount shown in the Schedule of benefits for your proportion only of any irrecoverable unused travel and accommodation costs and other pre-paid charges (including excursions up to £250) which you have paid or are contracted to pay, together with your proportion only of any reasonable additional travel expenses incurred if cancellation of the trip is necessary and unavoidable and due to:

1. The death, bodily injury, illness, disease, or complications arising as a direct result of pregnancy of:
 - (a) You
 - (b) Any person who you are travelling or have arranged to travel with
 - (c) Any person who you have arranged to stay with
 - (d) Your close relative
 - (e) Your close business associate
2. You or any person who you are travelling or have arranged to travel with being quarantined, called as a witness at a Court of Law or for jury service attendance.
3. Redundancy of you or any person who you are travelling or have arranged to travel with...
4. You or any person who you are travelling or have arranged to travel 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 could reasonably have been expected at a time when you purchased this insurance or at the time of booking any trip.
5. 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.

The policy contains a general exclusion on page 12 which says it will not cover:

Your travel to a country, specific area or event when the Travel Advice Unit of the Foreign & Commonwealth Office (FCO) or regulatory authority in a country to/from which you are travelling has advised against all, or all but essential travel.

Was it unreasonable for URV to decline the claim?

I think it's fair and reasonable for URV to treat the claim as covered under the cancellation section of the policy because:

- Mr and Mrs C cancelled their trip because the FCDO advised against all but essential travel to the destination they were due to travel to. That's not something that is 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 case for the reasons I'll go on to explain.

- The exclusions that I've outlined above mean that if Mr and Mrs C had travelled abroad they'd have not followed FCDO advice. So, they 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 by the policy. I don't think that was made sufficiently clear to Mr and Mrs C.
- Mr and Mrs C would have needed to read the full policy terms and conditions in order to understand that this set of circumstances wasn't covered. And, I don't think that this information was brought to their 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 has created a significant imbalance in the rights and interests of Mr and Mrs C and URV. I think it's unlikely that Mr and Mrs C would have purchased the policy if they had realised that there was no cover under the policy if the FCDO guidance changed after they'd bought the policy. And, at the time they bought the policy I think it's most likely they could have purchased a policy which did as they were widely available on the market.

Putting things right

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

My final decision

I'm upholding Mr and Mrs C's complaint and direct Union Reiseversicherung AG to put things right in the way I've outlined above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs C and Mr C to accept or reject my decision before 28 March 2022.

Anna Wilshaw
Ombudsman