

The complaint

Mr and Mrs N complain that U K Insurance Limited (UKI) hasn't settled a claim they made on their travel insurance policy.

What happened

Mr and Mrs N have travel insurance as a benefit of a packaged account with their building society.

In May 2019, Mr and Mrs N booked a holiday abroad. They were due to travel between 19 June and 3 July 2020.

However, on 17 March 2020, as a result of the Covid-19 pandemic, the Foreign, Commonwealth & Development Office (FCDO) advised against all but essential travel abroad. This advice remained in place at the time Mr and Mrs N were due to travel. The airline cancelled Mr and Mrs N's flights and refunded the airfare. But as Mr and Mrs N were unable to travel as planned, they had to cancel their trip. Their accommodation provider offered them a potential to rebook the following year and their ferry operator offered Mr and Mrs N a credit voucher for the value of their booking, which would be valid until the end of 2022.

As Mr and Mrs N felt it was unlikely they'd be able to make use of either provider's offer, they made a claim on their travel insurance policy for their lost accommodation deposit and ferry ticket costs.

UKI didn't agree to settle Mr and Mrs N's claim. It said it would require a cancellation invoice from the accommodation provider before agreeing the cover the lost deposit cost. And it said that the policy only covered financial losses a policyholder's suffered. As the ferry operator had offered Mr and Mrs N a credit note for the full value of their booking, UKI considered they hadn't suffered a financial loss. It said the policy terms specifically excluded losses which could be recovered from elsewhere. It recognised that it hadn't given Mr and Mrs N clear information about the claim though, so it paid them £25 compensation.

Mr and Mrs N were unhappy with UKI's position and they asked us to look into their complaint.

UKI later offered to settle Mr and Mrs N's claim for their lost accommodation deposit, less the applicable policy excess. This resulted in a claim settlement offer of £22.12. It also said that it would reconsider Mr and Mrs N's ferry ticket claim once the voucher had expired and if the operator wasn't prepared to extend the voucher term.

Our investigator thought UKI's offer was fair and reasonable. She considered the policy terms and she felt the evidence suggested that Mr and Mrs N had recovered their ferry costs in the form of the credit voucher. She thought that if the ferry ticket expired or the operator became insolvent, Mr and Mrs N's loss would then become irrecoverable. She was also satisfied that the compensation UKI had paid Mr and Mrs N was fair to recognise its claims handling.

Mr and Mrs N disagreed. They were concerned that if the ferry operator became bankrupt, they'd been left unable to recover their money. And they felt £25 compensation was pitifully small.

The complaint's 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.

Having done so, while I'm sorry to disappoint Mr and Mrs N, I think UKI's current offer of settlement is fair and reasonable and I'll explain why.

The relevant regulator's rules say that insurers must handle claims promptly and fairly. And they mustn't turn down claims unreasonably. So I've thought carefully about, amongst other things, the terms and conditions of Mr and Mrs N's policy and the circumstances of their claim to decide whether UKI handled it fairly.

I've first considered the policy terms, as these form the basis of Mr and Mrs N's contract with UKI. The cancellation section of the policy sets out the 'insured events' it covers for unused costs a policyholder incurs if they need to cancel their trip. One of these 'insured events' is the FCDO advising against all but essential travel to a policyholder's pre-booked destination.

In this case, there's no dispute that Mr and Mrs N's holiday was cancelled as a result of the FCDO advising against all but essential travel on 17 March 2020. So I can understand why Mr and Mrs N feel that UKI should pay their claim for their unused costs. But the cancellation section of the policy also includes a list of things that UKI doesn't cover. One of these states that UKI won't pay for any expenses that a policyholder can recover from elsewhere.

The accommodation deposit cost

UKI has now agreed to settle Mr and Mrs N's claim for their accommodation booking, although I agree with our investigator that based on the accommodation owner's email – which suggests that Mr and Mrs N could potentially reschedule the following year- it wasn't unreasonable for UKI to initially conclude that Mr and Mrs N had been able to recover their costs. This means I'm not directing UKI to pay interest on this settlement. It's calculated the settlement as follows:

Original booking cost of £122.12 (converted from EUR 140)
Less excess of £50 per person (£100)
= £22.12.

As UKI has now offered to settle this aspect of Mr and Mrs N's claim in line with the policy terms, I consider its offer to be fair and therefore, I don't think I need to make any further finding on this point.

The ferry cost

UKI says that as the ferry operator offered Mr and Mrs N a credit note for the full value of their booking; they haven't suffered a financial loss for this booking which is covered by the policy. And I think the policy wording makes it clear that UKI doesn't cover costs which can

be recovered from elsewhere. So I've next considered the agent's cancellation email to Mr and Mrs N, which set out the terms of the ferry operator's credit voucher offer.

This said that the ferry operator was only allowing the option of allowing conversion of tickets into credit vouchers. It said that the vouchers could be replaced by tickets for crossings performed by the operator before 31 December 2022. The email also said:

'In case you opt for open date tickets and do not use them for a period of 18 months from the original travel date, you will be entitled to a full refund of the fare of the initial tickets at that point.'

In my view, this email suggests that the credit voucher would cover the full value of Mr and Mrs N's booking. It also provided a reasonable timeframe for use and there are still several months of validity left before the voucher expires. The email also seems to suggest that in some circumstances, customers would be entitled to a full refund of their ticket costs. Based on this evidence, I think it was fair for UKI to conclude that Mr and Mrs N hadn't suffered a financial loss for this booking at the time they made the claim or to date. While Mr and Mrs N might not wish to make use of the voucher, I find it covers the full cost of their booking and its terms aren't overly restrictive.

UKI has told us that following expiry of the voucher, if the term can't be extended, it will reconsider this element of Mr and Mrs N's claim. I think this is a reasonable position for UKI to take and it's what I'd expect it to do in these circumstances. It may be open to Mr and Mrs N to seek a full refund from the ferry operator though if they haven't made use of an open date ticket within the relevant timeframe. Equally, if the ferry operator does cease operations before the voucher expires, again, Mr and Mrs N should let UKI know so that it can further consider their claim. It will be for UKI to determine what additional information it might need from Mr and Mrs N after the voucher expires in order to further assess their claim.

On the evidence before me, I think it was fair and reasonable for UKI to conclude that Mr and Mrs N haven't demonstrated they've suffered a financial loss for the ferry booking. So I'm not telling it to pay this aspect of their claim.

Compensation

I appreciate Mr and Mrs N feel strongly that the compensation UKI has paid them isn't sufficient to recognise their trouble and upset. I don't doubt how frustrating it was when UKI seemingly imposed new barriers to them recovering their ferry costs when it told them they'd need to try and recover their costs from elsewhere. But in my experience, most, if not all, travel insurers require policyholders to show they can't recover their costs from elsewhere before accepting and settling claims. I do think UKI could've explained this more clearly to Mr and Mrs N earlier on during the claims process though and so I think it was appropriate for UKI to recognise the impact I think this lack of communication is likely to have caused Mr and Mrs N. In my view, £25 is a fair and reasonable award to recognise UKI's failing in its claims handling. So I'm not directing it to pay any more.

Overall, I've decided UKI's current offer of settlement is fair and reasonable.

My final decision

For the reasons I've given above, my final decision is that UKI's offer of settlement is fair and reasonable.

I direct U K Insurance Limited to settle Mr and Mrs N's accommodation deposit claim in line with the terms and conditions of the policy.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs N and Mr N to accept or reject my decision before 6 May 2022.

Lisa Barham
Ombudsman