

The complaint

Mr and Mrs P are unhappy with how U K Insurance Limited trading as Direct Line ('UKI') handled their travel insurance claim for a cancelled trip.

What happened

Mr and Mrs P held a travel insurance policy as a benefit of their home insurance, provided by UKI. The policy ran from 2 March 2019 to 1 March 2020. Mr and Mrs P didn't renew the policy in March 2020.

Mr and Mrs P were due to travel abroad in August 2020 but were unable to go due to the UK's Foreign, Commonwealth & Development Office ('FCDO') advising against all but essential travel to their intended destination on 27 July 2020. Mr and Mrs P contacted UKI to ask if they could make a claim under the policy they'd held when the trip was booked in January 2020.

UKI incorrectly told Mr and Mrs P that they could make a claim. UKI first directed Mr and Mrs P to their credit card provider and subsequently asked for various documentation from Mr and Mrs P in connection with their claim. UKI then told Mr and Mrs P that their claim was being paid. When Mr and Mrs P informed UKI that the proposed claim payment included flights which weren't being claimed for, UKI said it would need to cancel the payment and request a new one. However, the following day, UKI told Mr and Mrs P that their claim wasn't covered because there was no travel insurance policy in force for them to make a claim under.

Mr and Mrs P complained to UKI. UKI acknowledged that Mr and Mrs P weren't told when logging their claim that it couldn't be considered, and that it had requested documents from Mr and Mrs P on a number of occasions but failed to notice that the claim wasn't covered. UKI also acknowledged that it had incorrectly raised a claim payment for Mr and Mrs P and had also failed to contact them with updates. UKI paid Mr and Mrs P £150 compensation for the distress and inconvenience they'd experienced.

As Mr and Mrs P remained unhappy, they brought the matter to the attention of our service.

One of our investigator's looked into what had happened and said she didn't think UKI had acted unfairly by declining Mr and Mrs P's claim. However, she said she thought it would be fair and reasonable in the circumstances for UKI to pay Mr and Mrs P a further £100 compensation – making a total of £250. UKI accepted our investigator's opinion but Mr and Mrs P didn't, so their complaint has been referred to me to make a final 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.

The issue of whether Mr and Mrs P's claim is covered under the policy they held with UKI doesn't appear to be in dispute. But, for the avoidance of doubt, I don't think their claim is

covered. Mr and Mrs P didn't hold an active policy with UKI at the time their holiday was cancelled. The terms and conditions of the policy say that cancellation cover only applies up to the policy end date. Mr and Mrs P's policy ended in March 2020 and the 'insured event' leading to the cancellation of their trip (the change in FCDO advice) didn't happen until July 2020. I don't think the policy wording in this regard is inconsistent or unclear, and I also wouldn't have expected UKI to specifically point out that all cover under the policy would cease if the policy wasn't renewed. So, I don't think UKI acted unfairly or unreasonably by declining Mr and Mrs P's claim.

The outstanding question for me to determine is what level of compensation I think would be fair and reasonable in the circumstances for the impact of UKI's actions on Mr and Mrs P.

The Financial Ombudsman Service isn't a regulator and we have no power to punish or fine businesses through our compensation awards. I'm not bound by either previous final decisions or by the case studies set out on our website. My remit is to decide what I think is fair and reasonable based on the individual circumstances of Mr and Mrs P's complaint, taking into account the impact of UKI's mistakes on them.

There's no doubt that UKI made mistakes in this case. And I also have no doubt that these mistakes had an impact on Mr and Mrs P. UKI has acknowledged that it should have identified at the outset that Mr and Mrs P's claim wasn't covered, and that it missed six different opportunities to identify this. Because of UKI's errors, Mr and Mrs P were put to the time and inconvenience of trying to pursue a claim with their credit card provider and were also put to the time and inconvenience of providing documentation relating to their claim to UKI.

It took UKI six months to let Mr and Mrs P know that their claim wasn't covered and, the day prior, UKI had told Mr and Mrs P that they'd be receiving a claim payment. I'm satisfied that this will have caused Mr and Mrs P distress and upset, having been led to believe that their claim would be paid.

While I don't doubt this situation had an impact on Mr and Mrs P – and I acknowledge that the impact of UKI's mistakes on Mr and Mrs P were more than minimal - I don't think their situation falls into the category of cases where an award of between £300 and £750 compensation would be appropriate.

While UKI's mistakes may have continued for a number of months, this alone doesn't warrant an award at the level which Mr and Mrs P are seeking. It's the overall impact of UKI's mistakes on Mr and Mrs P that's relevant. I don't think the impact of this situation on Mr and Mrs P is comparable to the impact of the situations set out on our website where awards of between £300 and £750 were considered fair. And, when considering what award I think is appropriate in the circumstances of Mr and Mrs P's complaint, I've taken into account the fact that they didn't rely on UKI's advice to their detriment – their holiday had already been unavoidably cancelled when UKI provided them with incorrect information.

So, overall, I'm satisfied that the total compensation of £250 which UKI has now offered to pay is fair and reasonable in the circumstances and I won't be directing UKI to do anything further.

Putting things right

U K Insurance Limited trading as Direct Line needs to put things right by paying Mr and Mrs P a total of £250 compensation for the distress and inconvenience they experienced. This includes the £150 compensation already paid.

U K Insurance Limited trading as Direct Line must pay the additional compensation within 28 days of the date on which we tell it Mr and Mrs P accepts my final decision. If it pays later than this it must also pay interest on the additional compensation from the date of my final decision to the date of payment at 8% a year simple.

My final decision

I'm upholding Mr and Mrs P's complaint against U K Insurance Limited trading as Direct Line in part and I direct it to put things right in the way I've outlined above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr P and Mrs P to accept or reject my decision before 22 August 2022.

Leah Nagle
Ombudsman