

The complaint

Mr and Mrs H complain because U K Insurance Limited ('UKI') hasn't paid the full amount of a cancellation claim under their travel insurance policy.

What happened

Mr and Mrs H hold a travel insurance policy as a benefit of their bank account. The policy is provided by UKI.

Mr and Mrs H were due to travel abroad in August 2020. Unfortunately, their holiday didn't go ahead as planned due to the circumstances surrounding Covid-19. So, in September 2020, Mr and Mrs H made a claim under their policy with UKI for a non-refundable accommodation deposit, exchange rate losses and unused internal flights at their intended destination.

After initially incorrectly closing Mr and Mrs H's claim and repeatedly requesting information which had already been provided, UKI paid Mr and Mrs H's claim for the accommodation deposit and exchange rate losses in January 2021. However, UKI said the internal flight costs weren't covered under Mr and Mrs H's policy, as they'd been offered a credit voucher for these. This contradicted information which UKI had given Mr and Mrs H previously.

Unhappy, Mr and Mrs H complained to UKI. UKI maintained its position on the internal flight costs but paid Mr and Mrs H £200 compensation for its unnecessary delays, leading them to believe that the flights would be covered, and the general level of service provided. Mr and Mrs H then brought the matter to the attention of our service.

One of our investigators looked into what had happened and said he didn't think UKI had acted unfairly or unreasonably by declining this part of Mr and Mrs H's claim. Mr and Mrs H didn't agree with our investigator's opinion, so the complaint was passed to me. I made my provisional decision about Mr and Mrs H's complaint in February 2022. In it, I said:

'Industry rules set out by the regulator (the Financial Conduct Authority) say insurers must:

- *handle claims promptly and fairly;*
- *provide reasonable guidance to help a policyholder make a claim, and provide appropriate information on its progress;*
- *not unreasonably reject a claim;*
- *settle claims promptly once settlement terms are agreed.*

I've taken these rules into account when deciding what I think is fair and reasonable in the circumstances of Mr and Mrs H's complaint.

The unused internal flights

In common with most (if not all) travel insurance policies on the market, Mr and Mrs H's policy only provides cover for losses which cannot be recovered from elsewhere (i.e. from the booking agent or airline in this case). UKI says Mr and Mrs H's claim for their unused

internal flights isn't covered under their policy because they were offered a voucher.

I'd generally consider that the provision of a voucher means a consumer has reasonably recovered their losses from elsewhere, and therefore doesn't have a claim which is payable by their insurer under their travel insurance policy. It's understandable that plans change and a consumer may not wish to travel on the same route or with the same airline again. However, unless a consumer has some new or exceptional circumstances and subject to the voucher not having any unreasonable restrictions relating to location, duration and/or transferability, I wouldn't generally think it's fair to require an insurer to pay cash for the costs claimed for instead.

There is limited information available about the voucher that was offered in this case. UKI said it has no details of the voucher, and it seems to have based its decision to decline this part of the claim on a note Mr and Mrs H made on a document saying they'd been offered a voucher. UKI said, based on information available on the airline's website, this voucher was valid until 2022.

However, Mr and Mrs H told us they refused the offer of a voucher, based on information displayed on UKI's website at the time. So, Mr and Mrs H say they didn't receive a voucher and cannot get a refund from the airline, as the airline isn't responding to their emails. I asked Mr and Mrs H to provide evidence of their correspondence about the voucher. Mr and Mrs H have provided emails to and from both the agent they booked the flights through and with the airline directly. I've attached a copy of these emails to my provisional decision for UKI to see.

I'm satisfied, based upon the content of these emails and Mr and Mrs H's testimony, that they have received neither a voucher nor a cash refund from either the booking agent or the airline. So, I don't think it's fair for UKI to consider that Mr and Mrs H have recovered their losses for the internal flights from elsewhere.

I therefore think it would be fair and reasonable in the circumstances for UKI to pay Mr and Mrs H's claim for their unused internal flights.

UKI's handling of Mr and Mrs H's claim

UKI didn't handle this claim in the way I'd expect it to, and I think it's clear from UKI's file that there was confusion, unnecessary and excessive delays, and errors made when dealing with the matter. I'm pleased to see that UKI has acknowledged this and paid Mr and Mrs H £200 compensation.

If UKI hadn't made any offer in this regard, it's likely that I'd have asked it to pay compensation to Mr and Mrs H for the distress and inconvenience they experienced as a result of how UKI handled their claim. However, overall, I think the payment of £200 compensation which has already been made is fair and reasonable in the circumstances and is in line with any award which I'd have been likely to make.'

Mr and Mrs H responded to my provisional decision and said they had nothing further to add. UKI replied and said that Mr and Mrs H haven't been refused a refund from elsewhere, so it will pay the claim subject to Mr and Mrs H's agreement that if they subsequently obtain a refund for the flights, they will reimburse UKI for the claim payment.

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.

Insurance is designed to indemnify a policyholder for their losses and a policyholder shouldn't gain financially from an insurance claim. Rather, a policyholder should only be put back into the financial position they were in before the insured loss occurred.

The correspondence which Mr and Mrs H have sent to us states that neither the airline nor the booking agent are providing or processing any refunds. So, I'm satisfied that Mr and Mrs H have been refused a refund. Based on the evidence I've seen, I don't think it's likely that this position will change, and I see no reason why Mr and Mrs H would continue to pursue a refund when they've already been told that one won't be forthcoming. But, in the unlikely event that Mr and Mrs H were to receive a refund at a later date, I would expect them to repay UKI the money that has been claimed for.

Overall, I think it would be fair and reasonable for UKI to now pay Mr and Mrs H's claim.

Putting things right

U K Insurance Limited should put things right by paying Mr and Mrs H's claim for their unused internal flights, subject to the remaining terms and conditions of their policy.

U K Insurance Limited should add interest to the claim payment at 8% simple per annum from the date of the claim until the date the settlement is paid¹.

My final decision

My final decision is that I uphold Mr and Mrs H's complaint and I direct U K Insurance Limited 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 H and Mrs H to accept or reject my decision before 30 March 2022.

Leah Nagle
Ombudsman

¹ If U K Insurance Limited considers that it's required by HM Revenue & Customs to take off income tax from that interest it should tell Mr and Mrs H how much it has taken off. It should also give Mr and Mrs H a certificate showing this if they ask for one, so they can reclaim the tax from HM Revenue & Customs if appropriate.