

The complaint

Miss H complains because U K Insurance Limited ('UKI') hasn't paid a cancellation claim under her travel insurance policy.

All references to UKI include the agents it has appointed to handle claims on its behalf.

What happened

Miss H held an annual travel insurance policy, provided by UKI.

Miss H was due to travel abroad in March 2020 but, unfortunately, the trip was cancelled due to the circumstances surrounding Covid-19. Miss H was due to travel with her father, who had booked and paid for Miss H's flight so they could be seated together.

Miss H's father made a claim under his own travel insurance policy and was reimbursed for his flight only. So, Miss H made a claim under her policy with UKI for the non-refundable cost of her flight.

UKI said Miss H's claim wasn't covered under her policy because she had no financial loss, as her flight was paid for by her father and the cost was therefore recoverable from elsewhere. Unhappy, Miss H complained to UKI before bringing the matter to the attention of our service.

One of our investigators looked into what had happened and said she thought it would be fair and reasonable in the circumstances for UKI to accept Miss H's claim. UKI didn't agree with our investigator's opinion, so Miss H's complaint was referred to me. I made my provisional decision about Miss 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 fairly and shouldn't unreasonably reject a claim. I've taken these rules into account when making my decision about Miss H's complaint.'

'It doesn't appear to be in dispute that Miss H's policy provides cancellation cover if the Foreign & Commonwealth Office advise against all but essential travel in certain circumstances, as happened here.'

'The terms and conditions of Miss H's policy, at page 38 under the heading 'Cancelling a trip before it starts', say UKI will pay:

'... up to £5,000 for each insured person for costs that you have paid or legally have to pay if you have to cancel your trip ...'.

'Page 48 of the policy, under the heading 'Specific exclusions applying to Section 6 Travel', says the following are not covered:

'1. Recoverable expenses

x Any expenses that you can recover from elsewhere ...'

Our investigator said Miss H's flight was a gift from her father. But I'm satisfied based on the evidence I've seen that the flight wasn't a gift.

Miss H repeatedly told both UKI (on 19 June 2020 and 22 June 2020) and this service that, although she hadn't paid her father for her flight before their intended departure date, she did intend to pay him this money. Miss H has also told both UKI and this service that she still intends to reimburse her father for the money he paid for her flight.

Miss H told us she didn't pay her father for the flight at the time as she had already paid for other things in connection with the planned trip, such as a restaurant booking and foreign currency – and she and her father intended to reconcile the money each of them had spent after the trip. I've attached evidence of the restaurant booking and foreign currency purchase for UKI to see.

I think Miss H's testimony that she intends to pay for her own flight has been consistent and is both plausible and persuasive, and I'm satisfied that Miss H has provided evidence in support of what she has told us.

Therefore, I think it would be fair and reasonable in the circumstances for UKI to treat Miss H's flight cost as being money she 'paid or legally had to pay' under the cancellation section of her policy.

I'm also satisfied that Miss H's flight costs aren't recoverable from elsewhere. The airline isn't responsible for providing a refund in these circumstances and Miss H has said her father tried to make a claim to recover the money from his credit card provider. Miss H has also provided evidence, which has already been provided to UKI, that Miss H's father's insurer paid a claim for the cost of his flight only. If Miss H intended to pay for her own flight (which I'm satisfied she did), then I wouldn't necessarily expect Miss H's father's insurer to have covered the cost of Miss H's flight – as the financial loss was Miss H's, and not her father's.

UKI has said that Miss H, and not her father, is its customer. But I'm satisfied that Miss H has a financial loss under her own insurance policy because she owes money to her father for her flight. If UKI thinks that Miss H's father's insurer should instead have paid a claim for Miss H's flight, then the terms and conditions of Miss H's policy entitle UKI to pursue the other insurer for that money in Miss H's name.

Miss H has also complained about UKI's delays dealing with this matter. UKI told Miss H her claim wasn't covered one month after receiving her claim, which I don't think is an unreasonable or excessive length of time. UKI provided a response to Miss H's complaint within eight weeks of receiving the complaint, as required by the regulator. So, I don't think it would be fair or reasonable to also require UKI to pay compensation to Miss H.'

UKI responded to my provisional decision and maintained its position that it didn't think Miss H had suffered a financial loss. UKI said Miss H had evidenced no such loss and that Miss H would be put in a position of betterment if her claim was paid. Furthermore, UKI said Miss H hadn't yet paid her father back for her flight, which would suggest that the cost of her flight was a gift.

Miss H responded to my provisional decision and reiterated that it was always her intention to reimburse her father for the cost of her flight. Miss H provided evidence that she has now done this of her own volition, a copy of which I've attached to this final decision for UKI to see.

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.

Miss H has now provided evidence that she has reimbursed her father for the cost of her flight. But, even if she hadn't done so, I'd still be upholding her complaint for the reasons set out in my provisional decision. Miss H told both UKI and this service that she was waiting to receive the claim payment before repaying her father and I don't think this is unreasonable.

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

Putting things right

U K Insurance Limited should put things right by paying Miss H's cancellation claim, subject to any applicable policy excesses and/or policy limits.

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

My final decision

My final decision is that I uphold Miss 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 Miss H to accept or reject my decision before 31 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 Miss H how much it has taken off. It should also give Miss H a certificate showing this if she asks for one, so she can reclaim the tax from HM Revenue & Customs if appropriate.