

The complaint

Mr K and Ms K are unhappy that Chaucer Insurance Company Designated Activity Company declined a claim they made on their travel insurance policy.

What happened

Mr K, Ms K and their family were due to go on holiday to an island I'll refer to as 'T' in October 2020. They took out an insurance policy to cover their trip in March 2020. Unfortunately, Mr K and Ms K didn't travel as one of their party had to self-isolate and because the Foreign and Commonwealth Development Office (FCDO) was advising against travel to T. They claimed on their travel insurance policy.

Chaucer declined the claim on the basis that there was no cover under the policy for cancellation in such circumstances. Ms K made a complaint to Chaucer, but they maintained their decision to decline the claim. Unhappy, Ms K made a complaint to our service.

Our investigator looked into what happened and upheld Mr K and Ms K's complaint. He didn't think that the policy documentation made it clear that Mr K and Ms K wouldn't have been covered if they had to cancel due to a change in FCDO advice. He upheld Mr K and Ms K's complaint.

Chaucer didn't agree and asked an ombudsman to review the complaint. In summary they said:

- The investigator's conclusions ignored the basic concepts of contract law and the Financial Ombudsman Service was setting a dangerous precedent by retrospectively rewriting contracts because a consumer wasn't aware of what their policy covered
- The policy operated on a specified perils basis – the reason for cancellation wasn't covered and that if Mr K and Ms K had wanted cover for changes in FCDO advice then they could have purchased a policy that offered such cover
- The premium charged reflects the level of cover – insurance doesn't cover every eventuality. There was no significant imbalance because the policy covers specific risks and is priced accordingly. Many policies contain a similar exclusion
- It is irrelevant that the Insurance Product Information document (IPID) did not highlight the relevant exclusion. The exclusion was within the policy wording and the IPID does not supersede this
- There is a responsibility on the consumer to read and understand the policy wording.

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 1 it says:

'What is not insured?

Travelling to a country or to an area where, prior to your trip commencing, the FCO have advised against all (but essential) travel'.

Page 20 of the policy sets out the circumstances under which Chaucer provides cover for cancellation or curtailment. These are:

- The death, bodily injury, illness, disease, or complications of pregnancy of:
 - a) You
 - b) any person who you are travelling with
 - c) any person who you have arranged to stay with
 - d) your close relative
 - e) your close business associate.
- You or any person who you are travelling with being quarantined on the orders of a treating doctor, called as a witness at a Court of Law or for jury service attendance.
- Redundancy of you or any person who you are travelling with (which qualifies for payment under current UK redundancy payment legislation, and at the time of booking the trip there was no reason to believe anyone would be made redundant).
- You or any person who you are travelling 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 or curtailment could not reasonably have been expected at the time when you purchased this insurance or at the time of booking any trip, which occurred or became apparent within 5 days prior to the commencement of your trip or during the course of your trip.
- 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.

In the general exclusions, on page 11, it says there is no cover for:

Any claim arising as a direct result of a situation highlighted by the Foreign and Commonwealth Office where you have travelled to a specific country or to an area

where, prior to your trip commencing, the Foreign and Commonwealth Office have advised against all (but essential) travel.

Was it unreasonable for Chaucer to decline the claim?

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

- Mr K and Ms K 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 K and Ms K 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 K and Ms K
- The IPID is designed to make sure that customers have essential information about the policy in a way that's easy to understand. I don't think it was made prominent in the IPID that cancellation claims due to FCDO advice against all but essential travel to a particular destination isn't included in the 'What is not insured' section of the IPID. The IPID only contains the general exclusion that policyholders won't be covered if they travel against FCDO advice
- I've also taken into account the relevant law, including the Consumer Rights Act 2015. Mr K and Ms K would have needed to read the full policy terms and conditions in detail. And they'd have needed to cross refer between different sections of the policy in order to understand that this set of circumstances wasn't covered. The exclusion for travelling against FCDO advice is set out in a different section to the cancellation section of the policy and on different pages. 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 to them in the circumstances of this case. I think that if it had been made clearer it's most likely Mr K and Ms K would have taken out a policy which would have offered cover for cancellation in such circumstances. Such policies were widely available on the market at the relevant time
- I think this has created a significant imbalance in the rights and interests of Mr K and Ms K and Chaucer. I think it's unlikely that Mr K and Ms K 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

- I accept that it's not possible to list every insured peril and/or every possible exclusion. I've also considered that it's common for the cancellation and curtailment section of travel insurance policies to list the specific insured perils that are covered. However, the issue I'm considering in this case is whether it was clearly signposted to Mr K and Ms K that there would be limited cover under the policy if they travelled against FCDO advice but they'd also not be covered if they had to cancel their trip because of FCDO advice changing between taking out the policy and the intended dates of travel, based on the policy documentation. And, for the reasons set out above, I don't think it was
- I've taken into account what Chaucer has said about Mr K and Ms K needing to read the full policy terms and conditions. But, even if they'd read the full policy terms, for the reasons set out above, I don't think it would've reasonably been clear to them what the impact of the exclusion was. I don't think that they'd have realised that there was no cover under the policy if the FCDO guidance changed after they'd bought the policy but before they departed for their trip and they needed to cancel
- Chaucer has also said that this decision sets a precedent. However, I've considered the individual circumstances of this complaint and the particular terms and conditions of this policy. Having done so I'm satisfied that it is fair and reasonable to uphold Mr K and Ms K's complaint for the reasons I've outlined above.

Putting things right

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

My final decision

I'm upholding Mr K and Ms K's complaint against Chaucer Insurance Company Designated Activity Company and direct them 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 K and Ms K to accept or reject my decision before 7 June 2022.

Anna Wilshaw
Ombudsman