

The complaint

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

What happened

Mr D, Mrs D and Mr D booked a holiday to the USA in early 2020. They were due to travel on 16 March 2020 and stay for several nights. They'd booked flights and accommodation separately.

They had the benefit of a single trip 'premierplus' travel insurance policy underwritten by Chaucer ('the policy').

On 15 March 2020 the Foreign and Commonwealth Office (FCO) advised against all but essential international travel to the USA following the announcement of the USA government imposing restrictions on travel from the UK (and Ireland) effective from midnight on 16 March 2020 EST ('the FCO advice'). This was due to the impact of the Covid-19 pandemic.

As a result, Mr D, Mrs D and Mr D's trip didn't go ahead.

They were able to get a refund for the costs of the flights from the airline. But Mr D, Mrs D and Mr D made a claim on the policy for the cost of the accommodation which they'd paid for – costing just over £1,000.

On their claim form they listed the cancellation reasons as: 'FCO advice not to travel'. Chaucer declined the claim on the basis that this wasn't listed as an insured event under the cancellation section of the policy.

Unhappy, Mr D complained to Chaucer. Chaucer maintained that it had fairly declined the claim but offered £100 compensation to acknowledge the delay in handling Mr D's complaint.

Mr D, Mrs D and Mr D then complained to our service. Our investigator recommended that Chaucer should reassess the claim outside of a strict interpretation of the policy terms and conditions. This was on the basis that it wouldn't be fair or reasonable for Mr D, Mrs D and Mr D to be left in a position where they had no cover for cancelling the trip due to FCO advice but to also have no cover if they'd gone ahead and travelled. Chaucer disagreed and raised several points in reply.

This complaint has 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.

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 in his view dated March 2022.

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 one it says: *"This Insurance Product Information Document is only intended to provide a summary of the main coverage and exclusions, it does not replace the policy terms and conditions. Complete pre-contractual and contractual information on the product is provided in your policy documentation"*.

Under the "what is not insured?" section (also on page 1) it says: *"Travelling to a country or to an area where, prior to your trip commencing, the FCO have advised against all (but essential) travel"*.

Pages 11 and 12 of the policy sets out the general exclusions applying to the policy. It excludes on page 11 (clause 18): *"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"*. I'll refer to this as 'the FCO exclusion'.

Page 20 of the policy sets out the circumstances under which Chaucer provides cover for cancellation (or curtailment) charges. 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."

Was it unreasonable for Chaucer to decline the claim?

Chaucer has an obligation to consider claims promptly and fairly. And it mustn't unreasonably decline an insurance claim.

In this particular case, I'm satisfied that it's fair and reasonable for Chaucer to treat the claim as covered under the cancellation and curtailment section of the policy. That's because:

- I'm satisfied that the main reason why the trip was cancelled was due to the FCO advising against all but essential travel to the USA. Had Mr D, Mrs D and Mr D decided to travel against FCO advice, there would've been limited cover under the policy.
- I accept that under the cancellation and curtailment section of the policy having to cancel a trip abroad due to the outbreak of a pandemic or changes in FCO advice aren't listed as specific insured perils. However, considering 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 FCO exclusion means that had Mr D, Mrs D and Mr D travelled abroad they'd have not followed FCO advice. So, as I've stated above, cover under the policy would've been limited. But, under the terms and conditions of the policy, changes in FCO guidance which led to the cancellation of a trip also isn't covered by the policy as it isn't listed as an insured event. I don't think that was made sufficiently clear to Mr D, Mrs D and Mr D in this case.
- The IPID is designed to make sure 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 FCO 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 FCO advice.
- Mr D, Mrs D and Mr D would've needed to read the full policy terms and conditions and cross reference different sections of the policy – in conjunction with the IPID - to understand that this set of circumstances wasn't covered. So, I don't think this information was brought to their attention in a prominent and transparent way. I'm satisfied the combined effect of the policy terms and IPID means it wasn't made reasonably clear or obvious to a reasonable policyholder that they'd have no cover under the policy if they travelled against FCO advice. But there would also be no cover in place if their travel plans were cancelled on the basis of FCO advice changing in between buying the policy and their intended departure date, as is what happened here.
- The section of the policy explaining what will be covered if they had to cancel the holiday, on page 20, is in plain English. But the FCO exclusion isn't presented in the same place or specifically mentioned in the cancellation exclusions – although the general exclusions are referred to. However, the general exclusions are earlier in the policy document at pages 11 and 12. And the consumer would need to cross refer these sections of the policy to understand how these terms all interrelated to one another, and to understand the effect of the FCO exclusion.
- I think this created a significant imbalance in the rights and interests of Mr D, Mrs D, Mr D and Chaucer which is unfair in this case. I don't think they would've bought the policy had they realised that there was no cover under the policy if the FCO advice changed after they'd bought it and needed to cancel their trip because of this. And I'm aware that there were other travel insurance policies available at the time of them buying the policy which would've covered such circumstances.
- I accept that it's not feasible for the terms and conditions of a policy – or an IPID – to list every possible insured peril and/or every possible exclusion. I've also considered that it's common for the cancellation section of travel insurance policies to list the specific insured perils that are covered. However, I've considered whether it was

clearly signposted to Mr D, Mrs D and Mr D that there would be limited cover under the policy if they travelled against FCO advice but they'd also not be covered if they had to cancel their trip because of FCO 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.

Other issues

Chaucer accepts that it could've dealt with things more promptly and it's offered £100 to acknowledge this. I understand the delays would've been somewhat frustrating for Mr D and he was put to the inconvenience of chasing for updates. I think £100 fairly reflects the distress and inconvenience caused.

Putting things right

Chaucer should treat Mr D, Mrs D and Mr D's claim as covered under the cancellation and curtailment section of the policy. And Chaucer should assess the claim under the remaining terms and conditions of the policy – including (but not limited to) the financial limits of the policy, and any applicable excess.

I also direct Chaucer to pay Mr D, Mrs D and Mr D £100 compensation for distress and inconvenience (if this hasn't been paid already).

My final decision

I uphold this complaint. I direct Chaucer Insurance Company Designated Activity Company to put things right in the way I've set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs D, Mr D and Mr D to accept or reject my decision before 7 October 2022.

David Curtis-Johnson
Ombudsman