

The complaint

Mr and Mrs W complain that UK Insurance Limited ("UKI") has unfairly declined to pay their travel insurance claim.

What happened

Mr and Mrs W have travel insurance as a benefit through their bank account. In 2019 they booked a trip abroad, including flights and accommodation, departing on 8 April 2020 to a country I'll refer to as P.

On 17 March 2020 the UK's Foreign, Commonwealth & Development Office ('FCDO' – formerly the Foreign & Commonwealth Office ('FCO')) advised against all but essential travel abroad due to the Covid-19 pandemic. Around the same time, P announced a 'State of Emergency' as a result of the spread of coronavirus. This limited movement and travel in and out of the country.

Due to this situation, Mr and Mrs W's flights were cancelled by the provider, who offered a voucher for future use. UKI initially told Mr and Mrs W they weren't covered for the flights as they have been offered a credit note but, with legal assistance provided by UKI, they have subsequently been able to obtain a refund.

The accommodation provider initially refused any refund for the booking. However, it did agree to transfer the booking to new dates, but this offer was only valid for one year from the date of the initial trip. On 18 March 2020, Mr and Mrs W rearranged their stay for December 2020.

Unfortunately, due to travel restrictions in both the UK and P, Mr and Mrs W were unable to travel in December 2020 and so they made a claim to UKI for the unused hotel cost.

UKI declined the claim. It said that, in order to be covered, the FCDO advice not to travel had to come into force after the trip was booked. UKI said that, when Mr and Mrs W rebooked the trip in March 2020, the advice not to travel to their destination was already in place so the claim wasn't covered by the policy.

Unhappy with this response, Mr and Mrs W complained to UKI and brought their complaint to this service. Our investigator upheld the complaint. He found that, although there was FCDO advice in place when Mr and Mrs W rearranged the hotel, he didn't think it was fair for UKI to refuse the claim on this basis – he felt the booking date that should be considered is the date they initially made the booking, in 2019.

In addition, he also said the policy covered cancellation claims for natural disasters, and the definition of this included pandemics. Whilst he noted the policy excluded claims for anticipated events, he said that as the credit was only for one year, he thought it reasonable that Mr and Mrs W would look to use the voucher as soon as possible. And he didn't think they could have anticipated that Covid-19 would still be an issue so many months later. He also pointed out that the FCDO advice for travel to P did change, in late August 2020, but

this was reinstated in September 2020. So, the chances for Mr and Mrs W to rebook, when FCDO advice wasn't in force, was limited. He thought UKI should pay the claim.

Mr and Mrs W accepted the investigator's view but UKI didn't. It reiterated that the policy excludes anticipated events and that, making the booking one day after a global travel restriction was announced, was too early to speculate that travel would be ok. UKI also said if Mr and Mrs W had waited they may have been able to use the voucher when the travel restrictions were lifted – or if they hadn't used it at all it was possible that it would have just expired or been extended by the provider.

As no agreement could be reached the matter 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.

The relevant rules and industry guidelines say that insurers must handle claims fairly and promptly and shouldn't unreasonably reject a claim. I've taken these rules into account when deciding what I think is fair and reasonable in the circumstances of Mr and Mrs W's complaint.

The policy terms and conditions

The policy includes a section titled 'Cancelling Your Trip (up to the point of departure)' which provides cover for the travel that has to be cancelled. Within this section, the policy includes a list of reasons for cancellation that it provides cover for. The covered reasons relevant to this claim are:

9. **FCO travel advice 'All but essential travel'**: in the 28 days before **your trip** start date the Foreign & Commonwealth Office advise against 'All but essential travel' to **your** destination. The advice must have come into force after **you** opened **your**...current account, or booked **your trip** whichever is later.

10. **Natural disaster**: **you** are unable to use **your** pre-booked and pre-paid accommodation due to the immediately surrounding area being badly affected by a **natural disaster**.

The definition under the policy for the term 'natural disaster' includes pandemics.

The cancellation section also includes a list of exclusions that apply to claims for cancelled trips. It says:

We won't pay for:

11. Anything mentioned in the general exclusions

12. These specific exclusions (see page 18 for full explanations):

• 2 Anticipated events.

This is further described in the 'Specific Exclusions' section as:

2. Anticipated events

Any claim for costs **you** have incurred as a result of an **anticipated event**.

And the definition of 'Anticipated event' is given as:

Any event that **you** knew would happen or could reasonably have expected to happen at the time **you** became an **insured person**, the date when **you** booked **your trip** or when buying an **upgrade**, whichever is later.

Was the claim declined unfairly?

Mr and Mrs W cancelled their trip planned for December 2020 as a result of travel restrictions imposed by the FCDO prior to their holiday. As detailed above, the policy does include cover for the cancellation of a trip due to the FCDO advising against all but essential travel to a destination. However, the policy states that the advice must come in after a trip is booked, not before. UKI has stated that, as the FCDO had announced travel restrictions the day before Mr and Mrs W rebooked the trip, cover isn't provided.

Having looked at the policy terms, it is clear that, at the time of making the new arrangements for December 2020, there was FCDO advice against travel. However, I don't think it would be fair and reasonable to decline the claim on this basis. I'll explain why.

Mr and Mrs W initially booked this trip in 2019. When their flights were cancelled in March 2020, Mr and Mrs W were unable to travel so they arranged with the hotel to make their visit on a later date. I consider this to be a rearrangement of the initial trip, as opposed to it being a whole new booking. Taking that into account, I think it would be unfair to consider the rearrangement of their travel on 18 March 2020 as the date of booking. At the time of booking in 2019, there was no FCDO advice in place regarding travel to this destination. I'm therefore persuaded it is fair and reasonable to consider that Mr and Mrs W have met the requirements of the policy in relation to a claim for a cancelled trip due to FCDO advice against travel.

I've also considered that the advice against travel in place at the time Mr and Mrs W made these rearrangements was lifted for travel to P in August 2020, allowing visitors to enter the country. The FCDO then advised against travel to this destination in September 2020 and this was followed by another nationwide lockdown a couple of months later. So, even if I accepted the booking date as being in March 2020, I don't think it would be fair to say that the FCDO advice which caused the cancellation in December 2020 had been in place at the time Mr and Mrs W rearranged their trip.

In addition to this, there is cover for cancellation if the accommodation cannot be used if the surrounding area is affected by a natural disaster. A natural disaster is defined to include pandemics. At the time Mr and Mrs W were due to travel, the UK government had made the decision to restrict travel to P as a result of the ongoing risk of Covid-19 in that country. And I'm aware that in the month leading up to their travel in December 2020, P was experiencing increased infection rates. As a result, I think it's reasonable to suggest that the area Mr and Mrs W were due to be travelling to was impacted by the pandemic – and therefore it is a natural disaster as defined by the policy.

Taking all of this into account, I think that the policy includes cover for the cancellation claim for these listed reasons. But UKI has also referred to the exclusion relating to anticipated events which it says applies to the claim.

For this to apply I need to be satisfied that Mr and Mrs W were aware that the cancellation of their trip would happen or that they could reasonably anticipate that this was likely to happen as a result of Covid-19 when they booked the trip. UKI has argued that at the time of rebooking, the country was one day into a global travel restriction, the like of which had

never been seen before. It believes the pandemic travel restrictions should be considered as an anticipated event – and excluded from cover.

I've thought about this point very carefully. As detailed previously, I think it is fair and reasonable to use the initial booking date in 2019 in this scenario. At this point the UK was not in a global travel restriction and I don't think there could be any doubt that this wouldn't have been an anticipated event at that time. However, even if I was to accept the date they rearranged the trip in March 2020 as the date of booking, I'm not persuaded that it would be fair and reasonable to apply the exclusion relating to anticipated events in the particular circumstances of this case.

We are now over two years from the time the initial travel restrictions were put in place and are very much aware of how things progressed throughout this time period. However, I think it is easy to allow hindsight to cloud our judgement. What I must consider is whether Mr and Mrs W could have known this would happen, or reasonably have expected this to happen, at the time they rearranged their travel. And at that point I don't think they would have anticipated that they wouldn't be able to travel abroad more than nine months later, as a result of the pandemic. As it was such an unprecedented situation, I think it is even less likely that the longevity of the pandemic and the impact on travel would have been foreseen. It is also important to note, at this point, that the FCDO advice against non-essential travel that was put in place in March 2020 was initially only for a period of 30 days. So, I'm not persuaded it would be fair or reasonable to apply this exclusion to Mr and Mrs W's claim for the cancelled trip.

I'm aware that UKI has also argued that, if Mr and Mrs W had waited until the travel restrictions were lifted in August 2020, they may have been able to use it. This may be the case, but as the restrictions were lifted for such a limited time period, this seems unlikely. UKI has also said that if they hadn't rearranged their travel at all, the unused voucher may have been extended by the accommodation provider. Whilst this is a possibility, I do need to bear in mind that Mr and Mrs W have told us that initially the provider didn't offer them any refund of their costs – the offer of a voucher was only made after Mr W made further contact with them. So, it seems unlikely that the provider would have extended the voucher, or indeed offered a refund after the time period expired. But regardless of what the accommodation provider may or may not have done in that scenario, the purpose of being given any form of credit is to enable you to use it at a different point and so I don't think it is reasonable to suggest that Mr and Mrs W shouldn't have tried to use the voucher. So, this doesn't alter my opinion.

Overall, when taking everything into account, I'm not persuaded that UKI has acted fairly when declining the claim. I'm satisfied that, on a fair and reasonable basis, Mr and Mrs W's claim for the cancellation of their trip in December 2020 is covered by the policy terms and conditions.

Putting things right

I require UKI to do the following:

- Pay the claim, taking into account any applicable policy limits or excesses
- Pay 8% simple interest from the date the claim was submitted to the date of settlement

If UKI considers that it's required by HM Revenue & Customs to deduct income tax from that interest, it should tell Mr and Mrs W how much it's taken off. It should also give Mr and Mrs W a tax deduction certificate if they ask for one, so they can reclaim the tax from HM Revenue & Customs if appropriate

My final decision

For the reasons stated above, I uphold this complaint.

I require UK Insurance Limited to put things right as detailed.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs W and Mr W to accept or reject my decision before 27 May 2022.

Jenny Giles
Ombudsman