

## **The complaint**

Miss B is unhappy that Chaucer Insurance Company Designated Activity Company declined a claim she made on her travel insurance policy.

## **What happened**

In late February 2020 Miss B booked a holiday abroad. She was due to travel in April 2020. On 5 March 2020 Miss B took out a travel insurance policy. On 9 March 2020 the government of the country she was due to visit imposed a national lockdown and the next day the Foreign and Commonwealth Development Office (FCDO) advised against all but essential travel to the country they were due to visit. Then, on 11 March 2020, the World Health Organisation (WHO) declared Covid-19 to be a global pandemic. On 23 March 2020 the UK government imposed a lockdown. The FCDO advice remained in place up until Miss B's planned departure date.

Miss B's airline refunded her flights, but she was unable to recover the cost of the accommodation from the provider. So, she made a claim on her travel insurance policy. In their final response letter Chaucer accepted that Miss B had cancelled due to a change in FCDO advice. But the claim was declined on the basis that there was no cover under the policy for such circumstances. Unhappy, Miss B complained to our service.

Our investigator looked into what had happened and upheld the complaint. She thought that the complaint should be upheld as the policy terms didn't make it clear that there was no cover for cancellation if the FCDO advised against all but essential travel.

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

- The policy cover specified perils – the reason Miss B cancelled wasn't one of those listed and therefore there is no cover under the policy
- The investigator was retrospectively reinterpreting what Miss B intended to buy – the policy did offer cover in certain circumstances and Miss B could have purchased a policy which offered cover for cancelling a holiday due to a change in FCDO advice
- It sets a dangerous precedent for the Financial Ombudsman Service to retrospectively rewrite contracts based on a spurious notion that consumers shouldn't be expected to know what their policy covers
- The premium charged reflects the level of cover under the policy
- The policy terms form the contract of insurance. It is not superseded or overridden by the Insurance Product Information Document (IPID).

So, I now 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:

- Miss B cancelled her trip because the FCDO advised against all but essential travel to the destination she was due to travel to. Chaucer accepted in their final response letter that was the reason for the cancellation of the trip. 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 I've outlined above mean that if Miss B had travelled abroad she'd have not followed FCDO advice. So, she 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 Miss B
- Miss B would have needed to read the full policy terms and conditions in order to understand that this set of circumstances wasn't covered. And, I don't think that this information was brought to her attention in a prominent and transparent way. So, I don't think the combined effect of the policy terms was made sufficiently clear. She'd have needed to cross refer between the different sections of the policy in order to understand that she wasn't covered by the policy
- I think this has created a significant imbalance in the rights and interests of Miss B and Chaucer. I think it's unlikely that Miss B would have purchased the policy if she had realised that there was no cover under the policy if the FCDO guidance changed after she'd bought the policy. As our investigator explained in March 2020, when Miss B purchased the policy, policies which offered cover in such circumstances were widely available. And I think it is most likely that Miss B would have purchased alternative cover had she realised that the policy didn't offer her cover due to a change in FCDO advice

- I've considered what Chaucer has said about the IPID. I'm not suggesting that, in the circumstances of this case, the IPID overrides the contract of insurance. However, it is a relevant document when considering what is fair and reasonable in the circumstances of this case. I say that because the IPID didn't make it clear or prominent that cancellation claims due to a change in FCDO advice weren't covered. The IPID only refers to the general exclusion which says that policy holders won't be covered if they travel against FCDO advice. And, in any event, I'm also satisfied that this also wasn't clear from the policy terms and conditions for the reasons I've outlined above
- I've taken into account what Chaucer has said about Miss B needing to read the full policy terms and conditions. But, even if she'd read the full policy terms, for the reasons set out above, I don't think it would've reasonably been clear to Miss B that there was no cover under the policy if the FCDO guidance changed after she'd bought the policy but before she went on holiday.
- Chaucer has also said that this decision sets a precedent and that it isn't fair and reasonable for me to create a 'complete protection' policy. I've also taken into account what they've said about how the policy was priced. However, I've considered the individual circumstances of this complaint and the particular terms and conditions of this policy. I've also taken into account the relevant law and industry guidelines. Having done so I'm satisfied that it is fair and reasonable to uphold Miss B'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 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 Miss B'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 Miss B to accept or reject my decision before 8 June 2022.

Anna Wilshaw  
**Ombudsman**