

## The complaint

Mr and Mrs M complain because Great Lakes Insurance SE ('Great Lakes') hasn't paid a claim for a cancelled holiday under their travel insurance policy.

All references to Great Lakes include the agents it has appointed to administer claims on its behalf.

## What happened

Mr and Mrs M held an annual travel insurance policy, provided by Great Lakes.

Mr and Mrs M were due to travel abroad in September 2020, on a trip that was booked as a package. They'd paid a deposit for their trip and the balance of over £12,000 was due to be paid in June 2020.

Unfortunately, on 15 March 2020, the UK's Foreign, Commonwealth & Development Office ('FCDO' – formerly the Foreign & Commonwealth Office ('FCO')) announced that it was advising against all but essential travel to Mr and Mrs M's intended destination due to the circumstances surrounding Covid-19.

Anticipating that they'd be unable to travel, Mr and Mrs M cancelled their trip on 17 March 2020. They made a claim under their policy with Great Lakes for their non-refundable deposit.

Great Lakes initially said Mr and Mrs M should contact it again in September 2020, within 48 hours of their intended departure date. Great Lakes said, if the FCDO was still advising against all but essential travel at that point, it would consider the claim.

Mr and Mrs M contacted Great Lakes again in September 2020. The FCDO was, at that time, still advising against all but essential travel to their intended destination. However, Great Lakes said the claim wasn't covered. Great Lakes said this was because Mr and Mrs M's policy didn't cover the following:

*'You cancelling or cutting short your trip because of:*

- *your disinclination to travel: or*
- *your loss of enjoyment of the trip: or*
- *reasons which are unnecessary and avoidable.'*

Unhappy, Mr and Mrs M complained to Great Lakes before bringing the matter to the attention of our service.

One of our investigators looked into what had happened but said he didn't think Great Lakes had acted unfairly or unreasonably by declining Mr and Mrs M's claim. This was because he said their policy contained an exclusion relating to costs which are recoverable from another

source and, if Mr and Mrs M hadn't cancelled their trip themselves, it's likely their package travel provider would have done so instead – thereby legally entitling Mr and Mrs M to a refund from their travel provider.

Mr and Mrs M didn't agree with our investigator's opinion, so their complaint was referred to me. I made my provisional decision about this complaint in April 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 deciding what I think is fair and reasonable in the circumstances of Mr and Mrs M's complaint.'*

*Mr and Mrs M's policy is an 'all-risks' insurance policy. This means the policy, unlike many other travel insurance policies on the market, doesn't specifically list all the insured perils that are covered. Instead, the limits of the cover available are defined by the exclusions set out in the policy.*

*Mr and Mrs M's policy says:*

*'We will pay you up to the amount shown in your policy Schedule for your share of any irrecoverable unused travel and accommodation ... charges which you have paid or are contracted to pay ... This must be as a direct and necessary result of any cause outside of your control, which was unforeseen at the start date of your policy or at the time of booking your trip, whichever is the later.'*

*So, I think Mr and Mrs M's claim for cancelling a holiday due to a change in FCDO travel advice is covered under their policy, unless Great Lakes can demonstrate that an exclusion applies.*

*Great Lakes originally said Mr and Mrs M claim wasn't covered because of the policy exclusion which I've quoted above relating to disinclination to travel, loss of enjoyment or reasons which are unnecessary and avoidable.*

*I don't think either of the first two reasons listed within this policy exclusion apply to the circumstances of Mr and Mrs M's claim. I'm satisfied that the reason their trip was cancelled was because of the FCDO travel advice introduced as a consequence of the Covid-19 pandemic and not because of any disinclination to travel or potential worries about loss of enjoyment of the trip on the part of Mr and Mrs M. And, I don't think it's fair or reasonable in the circumstances for Great Lakes to conclude that it was unnecessary and avoidable for Mr and Mrs M to cancel their trip when they did.*

*Mr and Mrs M may well have ended up in a position where they would have been entitled to a full refund for the holiday from their travel provider if they hadn't cancelled when they did. However, the terms and conditions of their policy don't prescribe any time-period surrounding the intended travel dates within which a policyholder should cancel their trip in the event of the FCDO advising against travel. And, none of the policy exclusions relating to cancellation cover refer to a package holiday.*

*Neither do the policy terms and conditions require a policyholder to contact Great Lakes before cancelling a holiday in such circumstances. Furthermore, the cancellation section of Mr and Mrs M's policy refers to the policyholder being required to notify their travel provider of cancellation immediately.*

*Mr and Mrs M cancelled their trip following a change in FCDO advice and, aware that a significant amount of money remained outstanding, attempted to mitigate their financial loss*

*considerably in doing so. Neither Mr and Mrs M nor Great Lakes could have predicted how the events that surrounded Covid-19 would unfold. So, overall, I don't think Mr and Mrs M were unreasonable in acting as they did.*

*Based on the very specific circumstances of this individual complaint – including the policy wording as a whole – I don't think it's fair or reasonable for Great Lakes to rely on the policy exclusion relating to unnecessary and avoidable cancellation to decline Mr and Mrs M's claim.*

*Our investigator said he didn't think Mr and Mrs M's claim was covered under their policy because of the following policy exclusion:*

*'Any costs incurred by you, which are recoverable from the company providing the accommodation or for which you receive or are expected to receive compensation or reimbursement.'*

*Mr and Mrs M's travel provider has, as far as I'm aware, no obligation to refund their deposit to them in these circumstances. So, the costs they are claiming for are not recoverable from another source. It may have been the case that, if Mr and Mrs M hadn't cancelled when they did and had waited for their travel provider to cancel instead, that the full cost of the holiday would have been recoverable from another source. But the above policy exclusion only excludes claims for costs which are recoverable from another source, so I don't think the exclusion applies to the circumstances of Mr and Mrs M's claim.*

*Therefore, for the reasons I've set out above, I currently intend to uphold Mr and Mrs M's complaint.'*

Mr and Mrs M accepted my provisional decision. They reiterated that they'd read their policy terms and conditions before cancelling their holiday and said their decision wasn't made from fear or panic.

Great Lakes didn't accept my provisional decision. It said there was no need for Mr and Mrs M to cancel their holiday in March 2020, when the initial FCDO advice only covered up until the end of April 2020, their holiday balance wasn't due until June 2020 and their holiday wasn't taking place until September 2020. Great Lakes said it wasn't necessary for Mr and Mrs M to cancel their trip when they did, and there was clear disinclination to travel on their part.

### **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've taken all Great Lakes' comments into account, but I won't be changing my provisional decision. The Financial Ombudsman Service considers complaints based on what we think is fair and reasonable in the individual circumstances and I'm not bound by any previous decisions of our service which may involve different policy wordings, different facts and different submissions by the parties involved.

I agree with Great Lakes that there was no way of predicting in March 2020 what the Covid-19 landscape would be in September 2020. And, I accept that the FCDO advice against all but essential travel issued on 17 March 2020 was only in force for a period of 30 days initially. There may be certain circumstances when I'd agree that a similar timeline demonstrated a disinclination to travel by a policyholder which had unfairly disadvantaged an insurer.

But Mr and Mrs M's policy provides cover for 'all-risks' and the policy terms don't require them to wait until a certain period of time before their intended travel date to cancel a holiday due to changes in FCDO advice. Even if Mr and Mrs M had waited to cancel their holiday until the balance was due in June 2020, they'd still have been left in the same position that they ultimately found themselves in.

I'm satisfied, based on Mr and Mrs M's evidence, that their holiday wasn't cancelled because of a disinclination to travel. And, also taking into account their evidence, the specific facts of their complaint and the wording of their policy, I don't think it's fair or reasonable for Great Lakes to decline their claim based on the policy exclusion relating to unnecessary or avoidable cancellation.

If Mr and Mrs M had waited for their travel provider to cancel their holiday, then they'd have received a refund from their travel provider under the Package Travel and Linked Travel Arrangements 2018. But, considering the wording of their policy as well as the amount of money involved, I don't think they acted unreasonably by cancelling their trip when they did. So, for the reasons I've set out in my provisional decision, I don't think the policy exclusion relating to costs which are recoverable from elsewhere applies to their claim either.

### **Putting things right**

Great Lakes Insurance SE should put things right by accepting Mr and Mrs M's claim under the cancellation section of their policy, subject to any applicable policy limits and/or excesses.

### **My final decision**

My final decision is that I uphold Mr and Mrs M's complaint and I direct Great Lakes Insurance SE to put things right in the way I've outlined above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs M and Mr M to accept or reject my decision before 6 June 2022.

Leah Nagle  
**Ombudsman**