

The complaint

Mr, Mrs and Miss L complain that Great Lakes Insurance SE hasn't settled a claim under their travel insurance policy.

What happened

Mr, Mrs and Miss L booked a UK holiday on 16 February 2020, and they were due to travel between 10 and 17 July 2020. Alongside the holiday booking, they bought a single trip travel insurance policy. The insurer was Great Lakes.

At the time of booking, Mr, Mrs and Miss L paid a small deposit for the accommodation, and they paid the outstanding balance on 29 May 2020.

However, on 11 March 2020, the World Health Organisation declared Covid-19 to be a pandemic. And on 23 March 2020, the UK government imposed national restrictions on movement and travel, commonly referred to as lockdown.

Mr L received a letter from the NHS dated 3 April 2020 advising him to 'shield' against the risk of contracting Covid-19 for at least 12 weeks from the date of the letter – so, at least until 26 June 2020. This included advice for Mr L to not leave home or go out for shopping, leisure or travel, amongst other things. Mr L says that Miss L received the same advice.

Mr L received a further letter dated 22 June 2020 explaining that the advice for those shielding was changing soon – but for now, the advice was to follow the shielding guidance rigorously.

Mr L says he visited his GP on 26 June 2020 who advised against travel due to his medical conditions and the shielding advice. Following this, Mr, Mrs and Miss L cancelled their trip and made a claim for the lost accommodation costs to Great Lakes. They say the claim should be covered as cancellation due to quarantine is covered.

Great Lakes declined the claim. It said that there was no insured event under the policy because quarantine was different to self-isolation. Great Lakes also said that the cancellation section had an exclusion for regulations set by the government of any country, which it said applied in this situation.

Our investigator thought the complaint should be upheld. She said she'd taken into account the ordinary, everyday meaning of the word 'quarantine' – she thought Mr and Miss L were in strict isolation imposed to prevent the spread of disease. Overall, she thought a reasonable person would consider Mr and Miss L as being in quarantine, and this was the reason they couldn't travel. So, she thought the situation was covered by the policy terms as cancellation due to 'quarantine' was covered, and that Great Lakes had unfairly declined the claim.

Great Lakes didn't agree with our investigator's findings. It said that the exclusion for regulations set by the government of any country should apply, as the isolation rules were set by the government.

As no agreement was reached, the complaint was passed to me to decide. I issued my provisional decision in May 2022. Here's what 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, and other industry guidance, into account when deciding what I think is fair and reasonable in the circumstances of Mr, Mrs and Miss L's complaint.

I've first looked through the terms and conditions of the policy. The cancellation section provides cover for the unused travel and accommodation costs if the policyholder has to cancel the trip due to one of a number of listed events. One of these is: 'You or any person who you are travelling or have arranged to travel with being quarantined...'

The policy terms don't define the word 'quarantine'. So, I've considered the ordinary, everyday meaning of the word. Our investigator considered this to be a 'strict isolation imposed to prevent the spread of disease', which is also one dictionary definition of 'quarantine'. Neither party has disputed this definition. I've also considered the context in which the word 'quarantine' is used within the policy wording.

Having considered the 'shielding' letter dated 3 April 2020 addressed to Mr L, I'm satisfied that he was in strict isolation imposed to prevent the spread of disease – including preventing Mr L himself being exposed to that disease. I think a reasonable person would therefore consider Mr L as being in quarantine.

That said, I don't think it's unreasonable that Mr, Mrs and Miss L paid the outstanding balance for the trip on 29 May 2020. At that point, the advice to shield was for at least 12 weeks from the original letter Mr L received – so until 26 June 2020 at least. As they were due to travel a few weeks after this, I don't think it was unreasonable for Mr, Mrs and Miss L to think on 29 May 2020 that they may be able to travel between 10 and 17 July 2020.

The letter dated 22 June 2020 advised Mr L to continue to follow the shielding advice rigorously – except there were a few planned changes to the shielding advice from 6 July 2020 onwards. But these didn't specify changes to leisure travel. Shielding advice was finally paused on 1 August 2020 – which was after Mr, Mrs and Miss L's intended trip dates.

Taking everything into account, I think Mr L was effectively in quarantine, and I think the claim falls within the scope of the policy cancellation cover.

Great Lakes says that as the isolation rules were set by the government, the exclusion in this section for 'Anything arising directly or indirectly from: ...g) regulations set by the government of any country' should apply in the circumstances.

But I don't agree. The shielding letters specifically refer to it being guidance and advice. Government regulations, on the other hand, are passed in parliament, have legal effect and can be legally enforced. Advisory guidance is purely advisory and there's no obligation to follow it nor are there any potential legal consequences if a person chooses not to do so.

I also noted that at the point when Mr, Mrs and Miss L cancelled their trip, the UK government had announced the lifting of lockdown restrictions from 4 July 2020 onwards – so, by the time they were due to travel. This included two households being permitted to mix both indoors and outdoors, and the reopening of accommodation sites.

Taking everything into account, I don't think the exclusion would apply in the circumstances of Mr, Mrs and Miss L's claim. So, I don't think Great Lakes acted fairly or reasonably when it declined the claim."

Both parties responded to say they accept my provisional decision. So, I'm now issuing my final 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.

As both parties have accepted my provisional decision, I see no reason to depart from the findings I reached. That means I've reached the same decision, and for the same reasons.

Taking everything into account, I think Mr, Mrs and Miss L's claim falls within the scope of the policy cancellation cover. And I don't think the exclusion would apply in the circumstances of this claim. So, I don't think Great Lakes acted fairly or reasonably when it declined the claim.

Putting things right

Great Lakes should accept Mr, Mrs and Miss L's cancellation claim, subject to the applicable policy limits and/or excesses. It should also add interest to the claim payment at 8% simple per annum from the date of the claim until the date settlement is paid.

My final decision

For the reasons I've explained, I uphold Mr, Mrs and Miss L's complaint. I direct Great Lakes Insurance SE to put things right in the way that I've set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs L, Miss L and Mr L to accept or reject my decision before 13 June 2022.

Renja Anderson
Ombudsman