

## The complaint

Mr and Mrs P complain that TSB Bank Plc closed their bank account in error. And that, because of this, their travel insurance benefit was cancelled which resulted in a claim being declined by the insurance provider.

Mr and Mrs P have been represented by a third-party but, for ease of reference, I'll refer to them only.

## What happened

The background to this complaint is well known to both parties and so I'll only refer to some key events here.

Mr and Mrs P held a fee-paying current account (the account) with TSB that provided a travel insurance benefit (travel insurance). They also paid an additional fee to upgrade their travel insurance. This provided additional cover for Mr P's medical conditions, extended the maximum trip duration and also waived claim excess.

TSB emailed Mr and Mrs P in December 2020 requesting they provide identification documents. As they didn't hear back, TSB wrote to Mr and Mrs P in January 2021 saying their account would be closed on 26 March 2021. Mr and Mrs P were outside of the country at the time. But upon returning to the UK and receiving the letter, they contacted TSB about it on 1 March 2021. The relevant identification documents were then sent to TSB the same day. TSB received the documents but they were overlooked and so the account was closed.

As the account couldn't be re-opened, due to TSB no longer offering it, Mr and Mrs P visited a TSB branch to open a new fee free bank account on 8 April 2021.

Mrs P contacted the TSB travel helpline – operated by the insurance provider – on 9 April 2021 enquiring about how the closure of the account would affect their travel insurance. The agent explained to Mrs P that there wouldn't be any travel insurance if the account was cancelled. But TSB would inform the insurer and a pro rata refund would be calculated and automatically returned to them.

Mr and Mrs P's personal assistant called the helpline on 28 June 2021 to query whether they would be covered if they travelled to India, which was deemed a 'red country' on the Foreign and Commonwealth Development Office (FCDO) website. The agent explained that if Mr and Mrs P were travelling for essential purposes they would be covered under the terms of the policy. But, in the event of a claim, they may need to provide evidence of the nature of the trip.

Mr and Mrs P flew to India on 3 July 2021. Unfortunately, Mr P fell ill and was admitted to hospital on 7 July 2021. A claim was submitted by Mr and Mrs P to the insurer.

On 10 July 2021 Mr and Mrs P received a renewal letter for their travel insurance upgrade. They then received a letter four days later saying, *"following the closure of your bank account we confirm we've cancelled your travel insurance upgrades with effects from 26 March 2021"*. A refund was sent to Mr and Mrs P by cheque.

The claim was declined by the insurer as, due to the account being closed, no cover was in place at the point of travel.

Mr and Mrs P complained to TSB about the closure of their account. TSB initially didn't think they'd closed the account in error as they said, although they received an email from Mr and Mrs P on 1 March 2021 with the identification documents, it didn't include everything they needed to prevent the account being closed (although it was in fact sufficient). TSB apologised for not responding to the email though and paid £50 in compensation.

The complaint was referred to our service. TSB accepted they closed the account in error as they had received the identification documents needed. So, they offered a further £100 compensation to Mr and Mrs P. TSB later increased this to £350 in total for what happened and, in short, they've said:

- They accept they made an error in closing the account. It couldn't be reopened as they no longer offer that type of account. Mr and Mrs P were however able to open an account with any service provider that did offer these benefits. Instead, they chose to open the fee free bank account.
- The account wasn't free. Mr and Mrs P paid for the additional benefits provided and these charges stopped when the account was closed. And they were made aware in April 2021 that the account benefits had ceased.
- Although Mr and Mrs P have lost the benefit of the travel insurance, they're no longer paying the account fee. They could have purchased travel insurance from an alternative provider.
- They accept Mr and Mrs P were inconvenienced by having to visit a branch to open the new account.

Our investigator thought TSB should pay more compensation. In short, she said:

- The claim likely wouldn't have been paid even if the account had not been closed in error and the travel insurance remained in place. This is because the FCDO advised against all but essential travel to the part of India Mr and Mrs P went to. And their personal assistant has confirmed they travelled to India so they could see their family before Mr P underwent surgery later that year in the UK.
- Although she understood Mr and Mrs P's desire to see their family, as they hadn't seen them for 18 months, she didn't think this would be considered essential travel. Therefore, under the terms of the policy, wouldn't have been covered.
- She thought TSB's offer of compensation acknowledged the loss of the account and trouble caused, but it didn't account for the loss of travel insurance going forward (which, under the account, ran until their 80th birthdays). Given it's unclear whether Mr and Mrs P will travel again and what the cost of future insurance might be, the simplest resolution would be for TSB to pay a further amount in recognition of this.
- She thought £500 extra, totaling £850, was fair.

TSB agreed to pay the increase in compensation.

Mr and Mrs P disagreed and so the matter has been passed to me to decide. In short, they added:

- The compensation amount isn't enough as it doesn't cover the cost of replacement travel insurance. They're also thousands of pounds out of pocket due to the claim not being paid. They want TSB to pay the medical bills or compensation to offset against it, which is about £20,000.
- Mr P was due to have a serious operation on his knee that carried risks, so wanted to see family beforehand as they couldn't come to the UK. They consider the travel was essential.
- Mr P was 'shielding' at the time of the account closure but was required to go into the

branch to set up the new account due to TSB's error.

- TSB haven't been fair and have got off lightly as result of their error.

Before I go on to explain the reasons for the decision I've reached, I want to clarify that I'm only looking at the actions of TSB here. And so, I'm not consider the insurer's role in declining the claim. That has been considered as a separate complaint by the Financial Ombudsman.

### **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 realise this will have been a very difficult time for Mr and Mrs P following Mr P's ill health. I'm sympathetic to their circumstances and the financial impact the declined claim has had on them. I therefore want to reassure Mr and Mrs P that I've carefully considered everything they've said. But, for similar reasons to that of our investigator, I think the £850 compensation is fair. I'll explain why.

It isn't in dispute that Mr and Mrs P's account was closed in error by TSB. And because of this, in line with the policy terms, the travel insurance benefit was cancelled. Unfortunately, it seems there was a technical issue with the data feed between TSB and the insurer which meant the automatic cancellation letters for the travel insurance weren't sent in March 2021. They were only sent when the insurer became aware the account was closed after the claim was submitted.

It seems though that Mrs P was informed in April 2021 that there wouldn't be any travel insurance if the account was cancelled. Given Mrs P was aware the account had been closed, as she and her husband had to visit the branch to set up a new account, it could be argued that Mrs P ought to have known the travel insurance was no longer in place.

Mr and Mrs P didn't however receive written confirmation that their travel insurance was cancelled, or the refund of premiums, prior to travelling due to the technical issue as they were told they would. Their personal assistant also provided policy details to the TSB helpline when she called them shortly before Mr and Mrs P travelled enquiring about whether they would be covered. I understand the agent didn't access the policy details but, instead, gave general information about whether any potential claim arising from travelling to India would be covered. The personal assistant wasn't told cover was no longer in place.

Because of this, I think it's possible that Mr and Mrs P may have genuinely thought their travel insurance remained in place prior to travelling.

I have however considered that Mr and Mrs P travelled to India at a time when the FCDO advised against all but essential travel. And the policy terms say it doesn't cover:

*"Any claim if **you** travel against the advice of the FCDO or the government of any country to which **you** will travel, or where **you** do not follow any advice or measures put in place by any government or local authority in the **UK** or abroad, for example quarantine rules or curfews."*

Mr and Mrs P feel their travel was essential as they wanted to see their family before Mr P underwent a serious operation. I've thought about this and although I understand their reasons for wanting to see family, as they hadn't done so for some time and there were possible risks associated with the operation, I don't think this could reasonably be considered as essential travel.

It follows that, even if the account hadn't been closed resulting in the cover being cancelled, I think it's most likely the insurer would've declined the claim in any event. Because of this, I don't think I can fairly hold TSB responsible for the medical bills incurred by Mr and Mrs P.

The closure of the bank account has undoubtedly caused trouble and upset to Mr and Mrs P. They were long standing customers of TSB and they found the travel insurance beneficial to them. As the account couldn't be reopened, this benefit is no longer available to them going forward. I'm also mindful that they had to visit a local TSB branch while Mr P was shielding from Covid-19 to open the replacement bank account. I think this would've been both very worrying and inconvenient for Mr and Mrs P at the time.

I've thought about what compensation would be fair here. I realise Mr and Mrs P feel the amount should be significantly more as they've now incurred medical bills of about £20,000. As I've said though, I don't think I can hold TSB responsible for that. I also understand Mr and Mrs P have said the amount recommended by our investigator doesn't sufficiently cover the cost of travel insurance going forward either. However, I think it's worth noting that the travel insurance benefit wasn't free. Nor was it going to last indefinitely as it only ran up to their 80th birthdays (which would've been a few more years). There were also costs for the travel insurance - the account fee and the upgrade fee to ensure Mr P's medical conditions were covered. The cost of upgrading cover annually meant it wasn't fixed and so, likely, going to increase considering Mr P's health. It's therefore difficult to accurately predict the difference in cost between comparable replacement cover and if the existing policy had remained in place. Because of this, I likewise agree with our investigator that the fairest way to put things right is for TSB to pay an increased compensation figure to recognise this.

Taking this into account as well the impact of the account closure – which includes the inconvenience of opening a new account, loss of access to funds during this time and the worry caused – I think £850 is a reasonable amount. I know Mr and Mrs P may feel TSB have gotten off lightly but, for the above reasons, I think this is a fair outcome in the overall circumstances of their complaint.

### **My final decision**

My final decision is that I uphold this complaint. I direct TSB Bank Plc Limited to pay Mr and Mrs P £850 in total.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr and Mrs P to accept or reject my decision before 20 October 2022.

Daniel O'Dell  
**Ombudsman**