

The complaint

Mr and Mrs H are unhappy because AWP P&C SA hasn't refunded the premium they paid for a single trip travel insurance policy. All reference to AWP includes its agents.

What happened

In early 2020, Mr and Mrs H bought a single trip travel insurance policy, underwritten by AWP ('the policy'). The policy was taken out to cover a cruise abroad which had been booked for 9 August 2020, for two weeks. Mr and Mrs H say they paid £288 for the policy.

Mr and Mrs H say that their trip was cancelled on around 3 June 2020 due to the global impact of the Covid-19 pandemic. The cost of their holiday was covered by a third party. They would like AWP to refund them, in full, for the premium paid for the policy. AWP says that because they asked for the policy to be cancelled – and requested a refund of the premium – after the policy's 14 days cancellation period, Mr and Mrs H aren't entitled to a refund.

One of our investigators looked at what had happened. Our investigator explained that it's a fundamental principle of insurance law that if the insurer had started to bear risk – for however short a time – the premium paid is not returnable. That means it's not unreasonable for an insurer to keep any premiums relating to the risk it covered during that time. Our investigator also explained that Covid-19 didn't make it impossible for the contract of insurance to be performed because cover under the policy started in January 2020 and the policy would've covered various risks during that time.

However, our investigator acknowledged the unique and unprecedented circumstances of Covid-19. She said it would be fair and reasonable for AWP to pay Mr and Mrs H a pro-rata refund of the premium from the date the holiday was cancelled. AWP didn't provide any substantive reply to our investigator's findings. So, this complaint 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.

I'm satisfied that our investigator has set out the relevant rules, regulations and law which are relevant to this complaint in her view dated February 2022, which I've also taken into account.

Our investigator requested information from AWP to assist with her investigation, which wasn't received. However, in its email to Mr and Mrs H dated October 2020, AWP says that the policy contained a 14-day cooling off period. If Mr and Mrs M didn't cancel the policy during this time, but sought to cancel at a later date, no refund of the premium would be payable. I haven't seen a copy of the terms and conditions of the policy. But that sort of term is common in single-trip travel insurance policy policies, so I'm prepared to accept that's what the terms of the policy said.

However, I'm partially upholding this complaint. In the circumstances of this case, I don't think AWP has acted fairly and reasonably by declining to pay any refund of the premium Mr and Mrs H paid for the policy. I'll explain why.

- I accept that the policy was cancelled outside the cooling off period and so there's no requirement under the relevant industry rules and guidelines for AWP to offer a full refund, as Mr and Mrs H have requested.
- As I've outlined above, I'm persuaded that it's likely the contract of insurance says that where cancellation occurs more than 14 days after the start of the policy, no premium refund is due. But I don't think that leads to a fair and reasonable outcome in this case taking into account the unique and unprecedented circumstances surrounding Covid-19.
- Although I haven't seen the policy terms, I think it's likely that Mr and Mrs H were covered from January 2020 for a number of listed events insured under the policy. So, Mr and Mrs H had the benefit of the policy from then until the trip was cancelled in early June 2020. And AWP were covering the risk of a valid claim being made during that time.
- However, after the date the trip was cancelled, due to the Covid-19 pandemic, AWP didn't bear any risk under Mr and Mrs H's insurance policy as the cost of trip was refunded by a third party. AWP was no longer carrying the risk of the trip being cancelled for any other insured reason – or for an insured event occurring whilst they were abroad.

Putting things right

I direct AWP to pay Mr and Mrs H a pro-rata refund of the total premium they paid for the policy from the date on which the trip was cancelled.

My final decision

I uphold Mr and Mrs H's complaint and direct AWP P&C SA to put things right as set out above. Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs H and Mr H to accept or reject my decision before 13 October 2022.

David Curtis-Johnson
Ombudsman