

The complaint

Mr and Mrs D are unhappy that Union Reiseversicherung AG (URV) declined a claim they made on their travel insurance policy.

What happened

Mr and Mrs D booked a holiday in the UK in January 2020 – they were due to travel in April 2020. They had an annual insurance policy which was taken out in July 2019.

In March 2020 the World Health Organisation (WHO) declared Covid-19 to be a global pandemic and later that month the UK government imposed wide ranging restrictions on movement, commonly referred to as ‘lockdown’. The restrictions remained in place at the time of Mr and Mrs D’s planned holiday, so they weren’t able to go.

The claimed on their policy for the cost of their accommodation, which was approximately £5500. URV declined the claim on the basis that there was no cover under the policy. Mr and Mrs D complained but URV maintained their decision to decline the claim. Unhappy, Mr and Mrs D complained to our service.

Our investigator looked into what had happened and didn’t uphold the complaint. He thought there was no cover for the circumstances in which Mr and Mrs D found themselves under the policy. So, he didn’t think it was unreasonable for URV to decline the claim.

Mr and Mrs D didn’t agree and asked an ombudsman to review the complaint. In summary, they said that their claim falls within the policy terms and URV is hiding behind the small print to decline the claim.

In August 2022 I issued a provisional decision explaining that I was intending to uphold Mr and Mrs D’s complaint. I said:

The relevant rules and industry guidelines say that URV has a responsibility to handle claims promptly and fairly. And they shouldn’t reject a claim unreasonably.

The policy terms and conditions say:

‘SECTION A – CANCELLATION OR CURTAILMENT

What is covered:

We will indemnify You up to the amount stated in the Schedule of Cover for:-

- (a) unused charges associated with Your Trip that are not refundable and which were incurred before Your departure date if You have to cancel Your Trip, or*
- (b) the extra cost of a one way airfare of a standard no greater than the class of journey on the Outward Journey or the applicable fee charged*

by the airline to change Your scheduled return date, and the unused non-refundable prepaid accommodation costs and other land arrangements following Curtailment of Your Trip as a result of any of the circumstances detailed below:

- 1. Your death, accidental bodily injury or illness, or that of a Close Relative or a friend with whom You have arranged to travel or stay, or of a Close Business Associate.*
- 2. You or any person with whom You have arranged to travel or stay being subject to compulsory quarantine or being summoned for Jury Service or as a witness in a Court of Law or for Military Service during the Period of Insurance.*
- 3. Your redundancy (qualifying You to claim for payment under current redundancy payment legislation) and that of any person with whom You intend to travel provided that such notice of redundancy is advised to Us within 14 days of its announcement.*
- 4. Your private dwelling becoming uninhabitable following fire, storm or flood, or Your presence being required by the police following burglary at such private dwelling occurring at any time after We have accepted this Insurance.*
- 5. Cancellation or interruption of scheduled public transport consequent upon Hijack occurring during the period of the Trip.*
- 6. Reasonable additional travelling expenses incurred by You in returning to Your home address in the United Kingdom, Channel Isles/Isle of Man, where such return is urgently necessitated by the death, serious illness or severe injury of Your Close Relative or a Close Business Associate provided that such Close Relative or Close Business Associate is resident in the United Kingdom, Channel Isles, Isle of Man.'*

URV says that there is only cover under the policy for cancelling a trip for the reasons set out in points one to six.

Mr and Mrs D argue that the policy covers them under clause (a) as they had to cancel their holiday and weren't able to get a refund from the provider.

I'm intending to uphold this complaint because I think the way the policy is worded isn't very clear. I say that because:

- I don't think it's clear that clause (a) is subject to the six points outlined under clause (b).
- The way the term is structured does indicate it's most likely that Mr and Mrs D would be covered if they had to cancel.
- There's no clear link made in clause (a) with the six situations set out underneath clause (b). Clause (b) refers specifically to the six situations because it says there is cover "*following Curtailment of Your Trip as a result of any of the circumstances detailed below*". Clause (a) doesn't make any reference to being subject to those circumstances.

That may have been what URV intended, but it's not what the contract of insurance says.

- I think that the way the term is structured means it's unclear that the cancellation section only applies in the scenarios set out within the six circumstances set out under clause (b).
- I can therefore see why Mr and Mrs D thought they were covered because they cancelled their trip and weren't able to get a refund. There's no requirement in the policy for cancellation to be linked to the six circumstances set out under clause (b).
- I think there's ambiguity in the policy wording and the wording should be interpreted in Mr and Mrs D's favour. That means that URV should reassess the claim, treating it as if it is covered by subsection (a) of the cancellation policy.

Putting things right

URV should put things right by reassessing the claim, subject to the remaining policy terms and applying any relevant policy limits or excess payments.

URV should also pay Mr and Mrs D 8% simple interest on the amount of the final claim settlement from the date that the claim was initially rejected to the date that it is finally settled.

If URV considers that it's required by HM Revenue & Customs to deduct income tax from that interest, it should tell Mr and Mrs D how much it's taken off. It should also give them a tax deduction certificate so they can claim the tax from HM Revenue & Customs if appropriate.

URV didn't respond to my provisional decision. Mr and Mrs D accepted my findings. So, I now need to make a 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.

Neither party has provided any further information or comments. So, there's no reason for me to reach a different conclusion to the findings I made in my provisional decision.

For the reasons I've outlined above, and in my provisional decision, I'm upholding this complaint.

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My final decision

I'm upholding Mr and Mrs D's complaint about Union Reiseversicherung AG and direct it to put things right in the way I've outlined above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr and Mrs D to accept or reject my decision before 19 September 2022.

Anna Wilshaw
Ombudsman