

The complaint

Ms P and Mr T are unhappy with the way in which U K Insurance Limited settled a claim on their travel insurance policy.

What happened

In March 2020 Ms P and Mr T were travelling to a country I'll refer to as 'S'. They were travelling via another country I'll refer to as 'D'. They arrived in D and were told that S was no longer accepting passengers from the UK due to the impact of the Covid-19 pandemic. Ms P and Mr T booked a flight back to the UK. So, they didn't use their outbound flight from D to S or their inbound flights from S to D and D to the UK. They claimed for the cost of their additional flights and their unused flights.

UKI agreed there was an insured event and paid the additional flight costs. They didn't pay the unused costs because they said Ms P and Mr T had amended their flights and used the money towards the new flight home. So, they said that they'd benefit if the cost of the unused flights was paid on top of the additional costs. Ms P and Mr T complained to UKI. In their final response letter UKI maintained their decision not to pay the unused costs but paid £175 for the poor service Ms P and Mr T received. Unhappy, Ms P and Mr T asked our service to look into their complaint.

Our investigator looked into what had happened and upheld the complaint. She didn't think UKI's settlement of the claim was fair. She thought that they should refund 50% of the cost of the unused flights and pay 8% simple interest. But, she thought the £175 compensation fairly reflected the distress and inconvenience caused to Ms P and Mr T by the poor handling of their claim.

UKI responded with a detailed breakdown of the flight distances and costs. They said that the unused flights represented 37% of the total distance between the UK and S. So, they proposed issuing a refund of 37% of the total cost of the booking, which was £1, 727.90.

The investigator thought this was a fair offer. Ms P and Mr T didn't agree. They said that the total cost of the flights was approximately £4800 and they'd paid around £800 towards the new flight home. They felt that the policy should cover their increased costs and said that the insurer was failing to understand that the extra costs arising from an insured event were covered by the policy. They said that the only way to accurately look at this loss was to take the funds for the whole trip, deduct the cost of the trip to D and pay the balance up to £4800 having deducted the £800 settlement that the insurers had paid.

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.

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

In this case UKI has acknowledged the claim wasn't handled as well as it could have been. And it's not disputed that there was an insured event as Ms P and Mr T's trip was cut short for a reason that's covered by their insurance policy. Since our investigator issued her opinion, UKI has offered to pay an increased settlement. So, the key issues for me to decide is whether the increased settlement figure is fair and if UKI has offered enough compensation for the errors in its claim handling.

I think the increased settlement figure is fair and that UKI has offered enough compensation because:

- Based on the evidence that's available I think it's most likely that Ms P and Mr T's original inbound flight from D to the UK was amended by the airline, so they were able to return home early. There was a shortfall to pay and UKI has paid the additional costs Ms P and Mr T incurred. This was £440 per person, minus the £75 excess. So UKI has covered the costs of the additional flight from D to the UK.
- Ms P and Mr T benefitted from the original flight they booked from D to the UK because they used the cost of that flight towards the additional flight home when they amended it. So, I can't fairly conclude they should get that money back as they benefitted from it and UKI has paid the additional costs.
- I think UKI's more recent calculation is the fairest way to settle the complaint. It reflects that the distance between D and S was 37% of the total journey Ms P and Mr T were making. They've therefore offered to pay 37% of the total cost of the booking. I think that's a fair and reasonable settlement in the circumstances.
- UKI accepts that there were numerous issues when Ms P and Mr T made their claim. It's acknowledged that there were avoidable delays and that a decision could have been on the claim much sooner. I think the offer of £175 fairly reflects the distress and inconvenience caused to Ms P and Mr T by having to chase up UKI and for the delay in settling their claim.

Putting things right

UKI needs to put things right by paying 37% of the total cost of the flights plus 8% simple interest from the date that the claim was declined to the date of settlement.

If UKI considers that it's required by HM Revenue & Customs to deduct income tax from that interest, it should tell Ms P and Mr T how much it's taken off. UKI should also give them a certificate showing this if they ask for one, so they can reclaim the tax from HM Revenue & Customs if appropriate.

UKI has already paid Ms P and Mr T £175 compensation.

My final decision

I'm upholding this complaint about U K Insurance Limited to the extent I've outlined above and direct them to put things right in the way I've outlined above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms P and Mr T to accept or reject my decision before 24 October 2022.

Anna Wilshaw
Ombudsman