

The complaint

Mr M complains that Mapfre Asistencia, Compañía Internacional De Seguros y Reaseguros, S.A. ("Mapfre") hasn't fairly settled his travel insurance claim.

What happened

Mr M took out an annual multi-trip travel insurance policy in 2019 which was insured by Mapfre. On 13 March 2020, Mr M travelled abroad on a skiing holiday and was due to return to the UK on 23 March 2020.

As a result of the Covid-19 pandemic, the government of the country Mr M was travelling in made the decision to close all ski resorts in the area and announced that it would also be closing its borders to international flights. Mr M had to curtail his trip and travel back to the UK on 15 March 2020.

Upon his return Mr M put in a claim to Mapfre for the unused parts of his holiday. This included two separate accommodation bookings, car hire and the unused portion of the ski lift pass. Mapfre considered the claim and made a payment for some of the costs claimed but refused to pay for one accommodation booking and the unused proportion of the ski lift pass as the providers had offered credit which could be used up until April 2021. It said that the policy only provided cover for non-recoverable expenses and that it was unable to consider costs where credit had been offered.

Unhappy with the settlement, Mr M complained to Mapfre. He said it wasn't clear how Mapfre had calculated this sum. In relation to the refusal to pay the costs where a credit had been offered, he said this wasn't detailed in the policy wording. He also said that, during the time the credit was valid, he was unable to visit that country due to restrictions put in place by the foreign government on UK travellers, so he wasn't able to use it. Mapfre didn't change its stance on the claim, however, it did offer £150 as a gesture of goodwill for poor service during the claims handling process. Mr M remained dissatisfied with this outcome and so he brought the complaint to our service.

Our investigator looked into the matter. He noted that Mapfre had used different figures for the accommodation and car hire costs it had paid. He said that, if this related to an exchange rate difference, Mapfre should use the exchange rate that Mr M received when he paid this cost. He also said that it was reasonable for Mapfre to not pay the parts of the claim where a credit had been offered as our approach was to consider a credit as a recoverable cost. As the timeframe allowed for the credit had expired, our investigator said that, if Mr M could provide evidence from the relevant providers that the credit wouldn't be extended, then Mapfre should reconsider this portion of the claim. He also advised Mr M that Mapfre had been in touch with our service and had offered to make a payment of £250 in recognition of the poor service he received.

Mr M disagreed with the recommendations put forward by our investigator. As no agreement could be reached, the matter was passed to me to decide.

On 2 September 2022, I issued my provisional decision. In it I said the following:

“The relevant rules and industry guidelines say that insurers must handle claims fairly and shouldn’t unreasonably reject a claim. I’ve taken these rules into account when deciding what I think is fair and reasonable in the circumstances of Mr M’s complaint.

Irrecoverable losses

The reason given by Mapfre for refusing parts of the accommodation and ski lift pass is that these costs are recoverable. Mapfre has said that, as Mr M was offered a refund of the cost of the aspects of his trip, albeit in the form of credit, this is not covered by the policy.

Mr M had to come home early from his trip. The relevant section of the policy states the following:

Section A:

Cancellation or Curtailment Charges

What is Covered

We will pay You, up to the amount shown in the **Policy Schedule**, for any irrecoverable unused travel and accommodation costs and other pre-paid charges (including sports, concert and entertainment tickets) which You have paid or are contracted to pay together with any reasonable additional travel expenses incurred...

From looking at Mr M’s policy terms and conditions quoted above, like most, if not all, travel insurance policies on the market, it only provides cover for costs you cannot get back, known as irrecoverable losses. This is because insurance is designed to indemnify the policyholder only if they are unable to reclaim their losses from any other source. As Mr M was offered credit for the unused portion of his ski lift pass and one of his accommodation bookings to be used at a later date, I’m satisfied that this can be considered as a recoverable loss. So, I think it was fair for Mapfre to say these didn’t amount to irrecoverable travel costs, and therefore Mr M hadn’t suffered a financial loss on these expenses.

Mr M has made the point that, in order to use the credit, he would need to purchase flights to travel. He doesn’t think it is a practical solution in the circumstances and so he should receive a refund. I appreciate that, in order to utilise the credit, Mr M would have to be able to travel to the destination. But this doesn’t persuade me that the credit couldn’t be used. I’m still of the opinion that a credit for use at a later date can be considered as a recovered loss.

The credit offered to Mr M from both of these providers was only valid until the end of the ski season in April 2021. As Mr M has stated, it was not possible for him to have entered that country before then as the foreign government still had restrictions in place for UK travellers due to the Covid-19 pandemic. So, I do agree that Mr M could not have used this credit within the timeframe that was set. But in my experience of dealing with complaints of this type, due to the unprecedented situation caused by this global issue and the extended time frame that restrictions were in place, many providers were prepared to extend credit beyond the time initially set. If Mr M can obtain confirmation from the providers that the credit is no longer available and won’t be extended, then I’m persuaded that Mapfre should reconsider these parts of his claim as irrecoverable losses, in line with the remaining terms and conditions of his policy.

Mr M has said that he is under no legal obligation to obtain such evidence from the providers. But it is important to point out that, whilst we do take into account the relevant law, codes and good practice that apply when deciding such matters, we have a duty to resolve complaints based on what we think is fair and reasonable. And as we are aware some

providers have agreed to alter the original terms, I'm persuaded that checking the current status of the credit would be the fair thing to do in this situation.

Settlement calculations

Mr M has complained that Mapfre made a payment to him, but it isn't clear how this has been calculated. I can see that there has been a suggestion that an incorrect exchange rate has been used, however, I don't think this is the case.

Mr M provided a breakdown of what he was claiming, which included £173.63 for one night's unused accommodation following his early return home (he had booked a three night stay with this provider) and £186.04 for seven unused days car hire from an initial nine-day rental.

A payment of £401.51 has been made to Mr M and, when reviewing how this was calculated, I've noted that Mapfre has used different calculations to work out what is owed. It has paid half of the accommodation cost – totalling £260.45 – and has refunded eight unused days of car rental, based on a rental period of ten days – a sum of £191.36. From these figures, Mapfre has removed the policy excess of £50 to reach its settlement figure.

It would therefore appear that Mapfre has paid more to Mr M than he claimed for these expenses - £359.67 claimed but £401.51 paid. In the circumstances, I'm satisfied that Mapfre doesn't need to pay anything further for these two expenses claimed by Mr M.

Customer service

Mr M is unhappy with the level of service he received from Mapfre during the claims handling process. He has said he has spent time chasing for responses and has requested compensation for the time he has spent dealing with this issue.

I can see that Mr M made his claim in April 2020, but it wasn't until September 2020 before he received a payment. Following this payment, he made several complaints to Mapfre before receiving its final response in March 2021.

In the final response letter sent out in March 2021, Mapfre noted there had been delays in replying to Mr M's complaint and offered £150 as a gesture of goodwill to apologise for this poor service. And during the time the complaint has been with our service, Mapfre has made a further offer of £250 in recognition of the impact this has had on Mr M.

It is clear that there have been delays in dealing with Mr M's claim and complaint. And I'm sure this has been very frustrating for Mr M as he has had to contact Mapfre on several occasions to try to obtain clarification of the settlement and to receive a response to his complaint. Mapfre has already paid £150 to Mr M as compensation for the poor service he received and has more recently made a further offer of £250. I think this is a fair and reasonable compensation offer, taking into account what happened during the claim process."

Mapfre responded to confirm it accepted the decision. Mr M also replied and supplied email correspondence with the accommodation provider to show that the credit has not been extended. He also commented that the amount of credit offered by both the accommodation provider and the ski lift pass provider was less than the loss he incurred and so this should be accounted for.

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.

Mr M has now supplied evidence to this service showing that the credit he was offered by the accommodation provider has not been extended. I will arrange for this to be sent to Mapfre in order for it to reconsider this aspect of the claim.

I've noted Mr M's point about the amount he incurred for these costs which he didn't utilise, and the difference between that and the amount of credit he was offered. It seems only fair and reasonable to me that the claim should be settled at the loss he incurred for these unused costs rather than the amount offered in credit, if there is a difference. So, I would ask Mapfre to ensure this is taken into consideration when making any settlement.

Putting things right

Upon confirmation from the relevant providers that the credit is no longer available to Mr M (one of which has now been provided), Mapfre needs to reconsider this aspect of the claim, taking into account the loss incurred by Mr M.

It should also pay Mr M the sum of £250 which it has already offered in recognition of the customer service issues raised.

My final decision

For the reasons stated above, I uphold this complaint in part.

Mapfre Asistencia, Compania Internacional De Seguros y Reaseguros, S.A. needs to put things right as detailed.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 25 October 2022.

Jenny Giles
Ombudsman