

## **The complaint**

Mrs and Mr O complain because Great Lakes Insurance SE hasn't refunded the premiums they paid for an annual-multi trip travel insurance policy.

## **What happened**

Mrs and Mr O purchased an annual-multi trip travel insurance policy, provided by Great Lakes. The policy was purchased on 31 January 2020, to cover any trips of up to 50 days duration taken within Europe. The policy started on 31 January 2020 and ended on 30 January 2021.

Mrs and Mr O paid £414.76 excluding Insurance Premium Tax (IPT) for the standard level of annual multi-trip travel insurance cover, which also covered them for a number of declared medical conditions. They also paid an additional premium of £36.65 (excluding IPT) for travel disruption extension cover. The cost of Mrs and Mr O's policy also included a discount of £51.64, which they received at the point of sale. In total, Mrs and Mr O paid £500.05 for their policy including IPT.

On 18 June 2020, Mrs and Mr O completed a policy cancellation form on Great Lakes' website, which asked it to cancel their policy and send them a pro rata refund of their travel insurance premium. Mrs and Mr O said they'd requested a refund and policy cancellation as they'd been unable to travel due to the Covid-19 pandemic.

On 24 June 2020, Great Lakes informed Mrs and Mr O that a refund couldn't be provided as their "cooling off" period had expired and no refund was due. It also stated that they couldn't just have a voucher refund as they'd have to purchase a new policy to qualify for the voucher. It offered to apply a credit of £257.05 against a new policy and defer the start date.

Mrs and Mr O stated that they were quoted £423.36 for a new policy and that, after applying their credit, they'd still have to pay £166.31. They declined to purchase a new policy due to uncertainty over whether they'd be able to travel in the future and complained.

When Great Lakes issued its final response to Mrs and Mr O's complaint it confirmed that no refund was due. However, it stated it was prepared to resolve this complaint by offering a pro-rata voucher that could be used to purchase either a deferred annual policy, a new policy of 15 months for the price of 12 or a UK only annual multi trip policy in the alternative. But Mrs and Mr O weren't happy with Great Lakes' offer and complained to our service.

Mrs and Mr O's complaint was considered by our investigator, who acknowledged the unique and unprecedented circumstances of Covid-19. They set out the details of the relevant cancellation rights and how they applied in the circumstances of this case. That means it's not unreasonable for an insurer to keep any premiums relating to the risk it covered during that time.

Our investigator explained that Covid-19 didn't make it impossible for the contract of insurance to be performed because cover under the policy started on 31 January 2020 and the policy covered various risks during that time. They didn't think Great Lakes had made an

error in declining to issue a full refund. But they didn't think it had calculated the pro rata refund fairly and asked it to recalculate the refund due to Mrs and Mr O.

Great Lakes agreed to recalculate its refund voucher in line with our investigator's recommendation and it confirmed its agreement with how our investigator thought this complaint should be resolved. But Mrs and Mr O didn't agree and requested an ombudsman's assessment. I've therefore been asked to decide what is a fair and reasonable way of resolving this complaint.

### **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.

Our investigator identified, and set out, the rules, regulations and law. I agree those are the relevant considerations which apply to the specific circumstances of this case.

Mrs and Mr O have made our service aware of how other insurers have dealt with travel insurance refund requests. But this service considers complaints on an individual basis. So, it's not our role to comment on the wider industry issues Mrs and Mr O have raised.

The terms and conditions that apply to Mrs and Mr O's policy with Great Lakes state:

*"You have the right to cancel your policy within 14 days of the date of issue or receipt of your documents, whichever is later. We will only refund to you any premium you have paid, less any fees and charges if you have not travelled, or have made, or intend to make a claim. If the notice of cancellation is received outside the 14-day cooling off period no premium will be refunded, however discretion may be exercised in exceptional circumstances such as a bereavement or a change to the policy resulting in us declining to cover your medical conditions".*

Where a policy is cancelled outside the cooling off period there's no requirement under the relevant industry rules and guidelines for the insurer to offer a refund. I say this because 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.

In this case, Mrs and Mr O's cooling-off period ended on 14 February 2020. But their first contact with Great Lakes about cancellation wasn't until 18 June 2020. So, I'm satisfied the cancellation request was made outside the 14-day cooling-off period.

As I've outlined above, the contract of insurance says that Great Lakes doesn't have to pay any refund of a policyholder's premium after the cooling-off period has ended except in exceptional circumstances when discretion will be used. The examples of exceptional circumstances identified in the policy are specific to the individual policyholder, such as bereavement or changes to their health. They don't extend to cancellation as a result of the Covid-19 pandemic.

I understand that the pandemic prevented Mrs and Mr O from travelling as they intended; they've told our service two holidays were cancelled due to the pandemic and that this was outside of their control. So, I've thought about whether it would be fair and reasonable to ask Great Lakes to depart from industry rules and the terms and conditions of Mrs and Mr O's contract because of the exceptional and extraordinary circumstances surrounding Covid-19.

Covid-19 was unanticipated and unforeseen, and this was outside of the control of both parties to the insurance contract. However, Covid-19 didn't make it impossible for Mrs and

Mr O's contract with Great Lakes to be performed – cover under their policy commenced on 31 January 2020.

Mrs and Mr O were insured from 31 January 2020, for travelling on any number of trips that they may have taken within Europe of up to 35 days, until they cancelled their policy. They've said they were prevented from travelling due to the pandemic. But because of the way annual multi-trip insurance policies work, an insurer has no way of knowing how many trips have been taken since the policy was inception.

The price set by Great Lakes covered Mrs and Mr O for cancellation of any holidays which they may have had booked and were due to take from 31 January 2020 until 30 January 2021. So, they would have been covered if they'd had to cancel any number of holidays because of any listed events insured under the policy including, for example, them falling ill with their declared pre-existing medical conditions. And it's a fundamental principle of insurance law that, if the insurer had commenced to bear the risk concerned – for however short a time – the premium paid is not returnable. So, regardless of what Mrs and Mr O's cancellation rights were, it isn't unfair for Great Lakes to retain the premiums relating to the risk it covered.

As I mentioned in the background to this complaint, Mrs and Mr O contacted Great Lakes on 18 May 2020 to request a pro rata refund and the cancellation of their policy. By this point, there was still 227 days left to run on the policy before it expired.

When Great Lakes initially calculated the voucher refund, this was based on it removing the discount Mrs and Mr O received at the end of the calculation. This gave a refund figure of just over £257.05 and I don't think calculating the refund in this way was fair and reasonable.

I can also see that when Great Lakes calculated the refund it offered Mrs and Mr O it didn't include any refund for the additional cover they'd purchased. Mrs and Mr O paid for optional travel disruption extension cover, which included extended cancellation benefits as well as extended curtailment, travel delay and enforced stay benefits. But Great Lakes was no longer covering the risk of a claim under the optional travel disruption extension cover from 18 June 2020. So, it would be fair and reasonable for Mrs and Mr O to receive a pro-rata refund of the premium they paid for this cover.

After this complaint was referred to our service Great Lakes recalculated the refund it offered based on our investigator's recommended resolution. This has led to the offer increasing to £310.14. Having carefully considered the revised calculation, I'm satisfied Great Lakes has now calculated the refund by dividing the price Mrs and Mr O actually paid for their policy by the total cover length (366 days). It has then multiplied that value by the days Mrs and Mr O weren't on risk (277 days). In doing so, Great Lakes' refund now takes into account the unused days of policy cover and the unused travel disruption extension cover. This is an approach that our service would endorse and I think the refund amount now offered is fair and reasonable.

Great Lakes has maintained its refund offer is by way of credit voucher only. And our investigator has confirmed with Great Lakes that the voucher is valid for 12 months and can be transferred to Mrs and Mr O's relatives or friends if they don't wish to use it. The voucher can either be used to purchase a future annual or single trip travel insurance policy. This isn't unreasonably restrictive.

I can see that Mr and Mrs O have told our investigator that they'd prefer to receive a cash refund as they have no plans to travel due to their health. They've been asked to provide evidence showing how their health may preclude future travel. But I haven't seen any documentation showing that they've suffered deterioration in their health conditions such that

this might make future travel not possible. And I can see that they were prepared to travel in January 2020 with the health conditions they declared to Great Lakes.

Based on the available evidence, there aren't any exceptional circumstances that persuade me that Great Lakes should pay a pro-rata monetary refund. And, in the overall circumstances, I think a refund by way of voucher is fair and reasonable.

### **Putting things right**

To resolve this complaint Great Lakes should issue Mrs and Mr O with a voucher for £310.14 for the reasons outlined above.

### **My final decision**

My final decision is that I uphold this complaint in part. To resolve matters, Great Lakes Insurance SE should put things right in the way I've outlined above.

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

Julie Mitchell  
**Ombudsman**