

The complaint

Mr and Mrs P complain that AWP P&C SA hasn't fully settled a claim they made on their travel insurance policy.

What happened

Mr and Mrs P hold travel insurance as a benefit of their packaged bank account.

Mr and Mrs P booked a family holiday to celebrate an important occasion. They booked holiday accommodation, which they intended to stay in, along with family members. Mr and Mrs P paid the full costs of the accommodation.

Unfortunately, one of their travelling party became seriously ill shortly before they were due to travel. And so the trip had to be cancelled. Mr and Mrs P made a claim on their travel insurance policy for the costs of their cancelled trip.

AWP accepted Mr and Mrs P's claim in part. It paid for Mr and Mrs P's share of the cancellation costs. But it said that the policy didn't cover the remaining members of Mr and Mrs P's travelling party. So it said that the remainder of the travelling party would need to make a claim on their own travel insurance policies for their share of the accommodation costs.

Mr and Mrs P were unhappy with AWP's decision, as they said they'd paid for the full costs of the accommodation and hadn't asked for any contribution from the other members of their party. They asked us to look into their complaint.

Our investigator asked AWP for its file of evidence. But despite the investigator chasing up AWP's file, it didn't provide us with any information. So the investigator assessed the complaint based on the evidence Mr and Mrs P had sent us.

The investigator thought Mr and Mrs P's complaint should be upheld. He was satisfied that Mr and Mrs B had incurred the full costs of the accommodation booking. And he thought the policy made it clear that AWP would cover the cancellation costs a policyholder had paid or was contracted to pay. There was no exclusion for any costs a policyholder had paid on behalf of another person. So he recommended that AWP should pay the remainder of the claim, together with interest.

AWP didn't respond to the investigator's assessment and so the complaint's 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.

Having done so, I don't think AWP has settled Mr and Mrs P's claim fairly and I'll explain why.

The relevant regulator's rules say that insurers must handle claims promptly and fairly. And that they mustn't turn down claims unreasonably. So I've considered, amongst other things, the terms of Mr and Mrs P's policy and the available evidence, to decide whether AWP has treated them fairly.

I've first considered the cancellation and curtailment section of the policy. AWP has already accepted that the circumstances which gave rise to Mr and Mrs P's claim were covered by the terms of the contract between the parties. So I've thought about what cover was provided by this section of the policy. It says:

'We will pay you up to £5000...for any irrecoverable unused travel and accommodation costs (including excursions and other pre-paid charges) which you have paid or are contracted to pay.'

AWP has defined what it means by 'you' as follows:

'The holders of their current account and their family.'

In my view, the policy terms clearly indicate that AWP will cover any unused travel and accommodation costs which a policyholder has paid or is contracted to pay. In this case, the account holders were Mr and Mrs P.

Mr and Mrs P have provided evidence, in the form of bank statements, which shows they paid the full accommodation costs. There are no entries on those bank statements to indicate that Mr and Mrs P's family members reimbursed them for their share of the accommodation costs. And Mr and Mrs P have consistently said that there was no intention for their family members to do so. I accept then that Mr and Mrs P paid for the accommodation as a gift. Accordingly, I accept that Mr and Mrs P paid for the full costs of the trip and that therefore, they have borne the full cancellation loss.

As the investigator explained, there is no specific term in this contract which limits AWP's liability to a policyholder's share of their trip or accommodation costs. And as I'm satisfied Mr and Mrs P paid for the trip in full, I'm also satisfied that their loss is the full irrecoverable costs of their pre-paid accommodation. So it follows that on a plain and ordinary interpretation of the policy terms, I'm persuaded that AWP has not settled this claim fairly. I find that AWP must now settle Mr and Mrs P's cancellation claim in full, together with interest on the settlement.

My final decision

For the reasons I've given above, my final decision is that I uphold this complaint.

I direct AWP P&C SA to now accept and settle the remainder of Mr and Mrs P's cancellation claim in full, subject to the remaining terms and conditions of the policy. It must add interest to the settlement at an annual rate of 8% simple from the date of claim until the date of settlement.

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

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs P and Mr P to accept or reject my decision before 27 December 2022.

Lisa Barham
Ombudsman