

The complaint

Mr and Mrs M are unhappy that AXA PPP Healthcare Limited (AXA) didn't make them aware of an offer to cancel and receive a pro-rata refund of the premium they'd paid for their travel insurance policy in or around June 2020. They're also unhappy that when they contacted AXA in March 2021, after receiving their renewal notice, AXA wouldn't offer a substantial discount of the premium for the policy year 2021/2022.

What happened

For many years, Mr and Mrs M had the benefit of an annual insurance policy, underwritten by AXA ('the policy'). Mr and Mrs M were both named policyholders, but they were entitled to a discounted premium because the policy was offered as part of a particular alliance and was arranged for the members of the alliance through an independent broker, acting on behalf of those members.

Mr and Mrs M renewed the policy for one year with effect of April 2020.

In February 2021, AXA sent Mr and Mrs M a renewal notice. Shortly after, Mr and Mrs M contacted AXA because their annual premium increased by around £60 even though they hadn't had much opportunity to travel during the period of the policy 2020/2021 due to the Covid-19 pandemic. At various times during that period the Foreign and Commonwealth Office had been advising against all but essential international travel and there had been long periods of time when the government had imposed restrictions limiting travel from where they'd lived.

As well as being unhappy with the premium increase, Mr and Mrs M wanted a refund of the annual premium they'd paid for the policy year 2020/2021.

It was after Mr and Mrs M contacted AXA that they say they were first made aware that members of the alliance – who had similar policies to Mr and Mrs M – had been offered the opportunity to cancel their policies in or around June 2020 – along with the opportunity to re-join AXA within three months if they wanted (and to pay for another yearly policy). This was communicated to the alliance and AXA had issued a statement through the alliance's website asking members to contact AXA directly if they wanted to take advantage of the offer.

AXA said that because Mr and Mrs M didn't contact it before the start of August 2020, it wasn't able to offer a pro-rata refund of the premium paid. However, it did offer to reimburse Mr and Mrs M for one month's premium – going back to 1 March 2020 as a gesture of goodwill. This was declined.

AXA maintained that it had acted fairly and, unhappy, Mr and Mrs M complained to our service. Since raising a complaint, AXA has made a payment to Mr and Mrs M of around £79 in accordance with its customer promise that any reduction in claims costs compared to 2019 due to the Covid-19 pandemic would be refunded in proportion to premiums paid ('price promise').

AXA also accepted that Mr and Mrs M weren't sent a gift card in the sum of £25 to be redeemed with certain retailers ('the gift card'), which they ought to have been. This had been sent to members whilst AXA was working through the price promise proposal. It has since sent the gift card to Mr and Mrs M.

Our investigator looked into what happened and didn't uphold Mr and Mrs M's complaint. They disagreed. So, this complaint was passed to me to consider everything afresh to decide.

I issued my provisional decision in October 2022 explaining why I was intending to uphold Mr and Mrs M's complaint. An extract of my provisional decision setting out my proposed reasons for upholding the complaint is set out below:

.....

- The policy terms say that if the policy is cancelled outside the 14 days' cooling off period, there will be no return of the premium. However, AXA took the decision to offer members of the alliance (which Mr M was part of) to cancel their policies in or around June 2020 and receive a pro-rata refund of the premium paid. AXA had notified the alliance of this offer and details were put on the alliance's website – asking members who wanted to take advantage of this offer to contact AXA before 1 August 2020.
- It's accepted that Mr and Mrs M didn't contact AXA to take up this offer before then. However, Mr and Mrs M say they weren't aware of this offer until March 2021 when they contacted AXA about the renewal notice they'd received and the increase in premium for the next policy year 2021/2022. They say they weren't in the habit of visiting the alliance's website. I've seen nothing to say that Mr and Mrs M were directed to visit the website around this time. I also find their submissions to be consistent, plausible and persuasive. So, I don't think they were aware of AXA's offer before March 2021.
- The contract of insurance was between AXA and Mr and Mrs M. The policy also confirms that AXA is the administrator. AXA sent Mr and Mrs M the insurance renewal notices and I've seen sample letters on AXA letterhead which it says Mr and Mrs M ought to have received enclosing the gift card and letting them know about the price promise. So, I think AXA ought to have directly told Mr and Mrs M about the offer in or around June 2020 rather than just informing the alliance.
- Had AXA done this, on the balance of probabilities, I think it's more likely than not that Mr and Mrs M would've cancelled the policy then and claimed a pro-rata refund of the annual premium from 1 July 2020 to 31 March 2021. The communication I've seen from the time says that option is available if Mr and Mrs M hadn't claimed after the policy had renewed in April 2020 – which I understand they hadn't – and they didn't wish to retain cancellation cover due to Covid-19 for any existing trip they'd booked before 14 March 2020.
- Before 14 March 2020, Mr and Mrs M had booked trips in the UK for April and July 2020. And had intended to travel in October 2020 but they'd only made a restaurant reservation for that month. They say by the end of June 2020, they'd rearranged the UK breaks booked for April and July 2020 for similar dates in 2021. I've got no reason to doubt what they say about that, and I intend to accept their submissions of this point.

- Given the local restrictions that were still in place in June 2020 around domestic travel and social distancing – and that Mr and Mrs M had no trips booked for the remainder of the policy year (ending 31 March 2021) which might've resulted in a travel insurance claim being made on the policy - I think it's likely that they would've cancelled the policy then.
- AXA has said that it wasn't offering any new travel insurance policies at the time but was willing to allow alliance members to re-join within three months of cancellation. But I don't think it's likely Mr and Mrs M would've taken up AXA's offer to re-join within three months and pay for another annual travel insurance policy – given that it would've cost over £500 and the prevalence of Covid-19 was increasing again towards the end of September 2020, and some restrictions were still in place where they lived.

I know Mr and Mrs M are also unhappy about the premium they'd been quoted for the policy year 2021/2022 but given that I don't intend to find that they would've taken out the policy again, had it been cancelled in June 2020, I don't intend to make any findings about the price they were quoted in February 2021.

.....

I invited both parties to respond to my provisional decision. Mr and Mrs M said they had nothing further to add. AXA, replied disagreeing with my provisional decision. In summary, it said:

- The 2020 renewal letter sent to Mr M explained on page 3 (under the question: can I change my cover mid-year?) that it offers different levels of travel insurance cover to choose from and to contact it if travel cover no longer met his needs and to discuss his options. Mr M didn't contact AXA until March 2021.
- Without evidence that Mr and Mrs M weren't aware of the offer until March 2021, AXA says it's difficult to reconcile why I've provisionally found Mr and Mrs M's submissions to be consistent, plausible and persuasive. It said it was making enquiries with the alliance about what information they included in their group circular.
- AXA says it did write to members whose policies had lapsed or expressed concern about being able to use their policy to explain that the mid-term lapse / pro-rata refund offer was an available offer. It didn't contact all travel members as travel insurance – particularly cancellation cover - could've been valuable for many members. It's the member's responsibility to let AXA know of any concerns they had about not being able to benefit from the policy.
- There's no evidence to suggest what Mr and Mrs M would've done in the June 2020, or that they would've chosen to cancel the policy then. Nor is there any evidence that by the end of June 2020, Mr and Mrs M had rearranged UK breaks originally booked for April and July 2020 to the same months in 2021.
- There's no evidence that Mr and Mrs M would've cancelled the policy and then not opted to re-join within three months of cancellation.
- During the policy year April 2020 to April 2021, AXA was on risk to pay any eligible claims Mr and Mrs M might have needed to make. And the fact that they renewed the policy in 2020 shows that they still wanted the cover.

- AXA wouldn't have known Mr and Mrs M had cancelled their trips in 2020.
- Any insured person can have cover for a year and then at the end of that year confirm as they didn't need to (or couldn't) use the policy and request a refund. This goes against the principles of insurance; in that the insurer is on risk all year, irrespective as to whether claims are made or not.
- It agreed to Mr and Mrs M keeping the gift card issued to them.

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 uphold Mr and Mrs M's complaint. I'll explain why.

As the policy wasn't cancelled during the policy year, I accept that AXA was bearing the risk of Mr and Mrs M making a claim throughout the period of the policy; the start of April 2020 to the end of March 2021. And that Mr and Mrs M had the benefit of the policy during that policy year – even if they didn't need to make a claim on it.

However, I think the more relevant issue for me to determine is whether Mr and Mrs M would've cancelled the policy and obtained a refund of the premium paid for the policy, had they been notified of the announcement that had been made in June 2020.

AXA says that there's no evidence to support that Mr and Mrs M weren't made aware of the announcement. However, AXA hasn't provided any evidence that they had been notified or ought to reasonably have been aware of the announcement at the time. In response to my provisional decision, AXA has said that it's checked with the alliance and information about the offer was contained in a group circular. But the alliance has said that it's doubtful that Mr M would've received the group circular as it's not cascaded beyond members who attend local meetings. So, unless Mr M is an active member he probably wouldn't have seen it. Mr M says he's not an active member and didn't attend meetings. I've got no reason to doubt what he says about that, so I don't think he was made aware of the offer by way of circular.

Mr and Mrs M have been consistent in what they've said; that they weren't aware of the announcement and I've seen no reason why they would've needed to check the association's website at the time to discover the information contained on there. So, weighing everything up, I'm persuaded on the balance of probabilities that Mr and Mrs M weren't aware of the announcement at the time – and during the period when the offer to cancel the policy for a pro-rata refund was open.

I accept that Mr and Mrs M renewed the policy in April 2020 and at the time the pandemic – and the global impact - was a known event. However, they had trips booked. So, I can see why they might've wanted to renew the policy. But that doesn't mean that by June 2020, had they been made aware of the announcement, they wouldn't have contacted AXA to take advantage of the offer to cancel the policy and receive a pro-rata refund.

AXA says there's no evidence that Mr and Mrs M had booked trips for 2020 or that by June 2020 they had been rearranged for 2021. But Mr and Mrs M have provided documentary evidence of bookings confirming that trips had been booked for April and July 2020. They've also provided documentary evidence that the July 2020 reservation had been rearranged for July 2021. So, overall, I'm persuaded that they did have trips booked for April and July 2020, which didn't go ahead. But Mr and Mrs M didn't have cause to claim on the policy for those trips being cancelled.

I, of course, don't know for sure what would have happened if Mr and Mrs M had been made aware of the offer to cancel the policy for a pro-rata refund in around June 2020. But, on the balance of probabilities, given that Mr and Mrs M's trips had been rearranged to take place after the policy year was due to expire and they hadn't needed to make a claim on the policy in connection with those trips, I think it's more likely than not that they would've cancelled the policy to get a pro-rata refund.

The renewal letter did set out information about how Mr and Mrs M could contact AXA to enquire about mid-year adjustments which they didn't do. But this letter doesn't specify that the policy could be cancelled with a pro-rata refund, if it no longer met Mr and Mrs M's needs. And immediately before that the letter says the policy can only be cancelled without cost in the first 14 days ('the cooling off period'). The policy terms also reflect that if the policy is cancelled at any time after the cooling off period, there will be no return of premium.

Whereas if Mr and Mrs M had specially been told about the option to cancel the policy in June 2020 and obtain a refund, given the individual circumstances of this case, I think they would've done so. I see no reason why they would've then opted to take out the policy again within three months, at that stage, and pay a new yearly premium.

So, for these reasons and for reasons set out in my provisional decision (an extract of which appears above and forms part of my final decision), I uphold Mr and Mrs M's complaint.

Putting things right

I direct AXA to pay Mr and Mrs M a pro-rata refund of the annual premium they paid for the policy to cover the period 1 July 2020 and 31 March 2021 ('the pro-rata refund').

AXA can deduct from the pro-rata refund the sum of £79.02 it's paid to Mr and Mrs M as part of its price promise.

I also intend to direct AXA to pay Mr and Mrs M simple interest on the pro-rata refund at a rate of 8% per year*:

- from 1 July 2020 to the date it refunded them £79.02. And then:
- on the difference between the pro-rata refund and £79.02 from the date on which Mr and Mrs M were paid £79.02 to the date on which AXA makes further payment of the outstanding pro-rata refund.

*If AXA considers it's required by HM Revenue & Customs to take off income tax from any interest paid, it should tell Mr and Mrs M how much it's taken off. It should also give them a certificate showing this if asked for one. That way Mr and Mrs M can reclaim the tax from HM Revenue & Customs, if appropriate.

Mr and Mrs M have more recently received the gift card. AXA says that this was only offered to policyholders who hadn't cancelled their travel insurance policies in 2020. Mr and Mrs M might not have received the gift card had they cancelled the policy in June 2020, but I think it's fair and reasonable for them to keep this as compensation to reflect the distress and inconvenience caused by AXA because it didn't notify Mr and Mrs M directly of its offer to allow policyholders like them to cancel their policy in around June 2020.

My final decision

I uphold Mr and Mrs M's complaint. I direct AXA PPP Healthcare Limited to put things right as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr and Mrs M to accept or reject my decision before 6 January 2023.

David Curtis-Johnson
Ombudsman