

The complaint

Ms H and Mr W are unhappy with the amount Royal & Sun Alliance Insurance Limited (RSA) paid after they made a claim on their wedding insurance policy.

What happened

Ms H and Mr W were due to get married in September 2020 and took out wedding insurance underwritten by RSA. Because of the Covid-19 pandemic they had to rearrange their wedding and it took place in July 2021. Ms H and Mr W then pursued a claim on their wedding insurance for costs relating to the initial cancellation and additional costs they said had been incurred as a result of the rearrangement.

RSA agreed there was cover for the claim they were making. But it said the policy only provided cover for rearranging the wedding and reception to a similar standard to the amount originally budgeted. In this case the overall budget for the actual wedding was less than the budgeted cost because a reduction in numbers meant the catering cost was lower.

So although the cost per head had increased the overall amount payable had reduced. And offsetting that saving against the other claimed rearrangement costs meant the amount payable under the policy was around £247 (net of the policy excess).

However, RSA accepted failings in customer service when dealing with the complaint for which it agreed to pay £400. And, as a gesture of goodwill, it agreed to pay the claimed amount for the cost per head increase in catering of around £290. In total it paid Ms H and Mr W around £945 (including a £7 overpayment in error).

Our investigator thought RSA acted fairly in calculating whether there had been an increase in catering costs. But he didn't agree it was fair of RSA to take that reduction into account when considering the other rearrangement costs (for example in relation to photography and invitations). He thought RSA should pay the difference between the remaining amounts claimed for and the amount it had actually paid for the claim.

RSA didn't agree. It said the policy covered the actual financial loss a policyholder had suffered. Where a wedding was rearranged this could only be done by comparing their revised outlay with the original budget.

Ms H and Mr W didn't agree either. They said the original quote for catering overstated the numbers who would be attending as they were advised by the caterers to do that and confirm final numbers in the week prior to the wedding. So they didn't agree that quote represented their catering budget.

And they didn't agree it was right to offset the catering costs against the other elements of their claim when the policy wording treated the different elements separately. They said if that was the case there were other costs that had increased which they could have claimed for.

I reached a provisional decision on the complaint last month. In summary I said:

I've looked first at the terms and conditions of Ms H and Mr W's policy. In relation to rearrangement costs the policy says

"In the event of cancellation or curtailment of the wedding, wedding reception or wedding services for reasons shown in Part 1 above, we will pay up to the amount shown on your Schedule of cover to reimburse you for additional costs paid in rearranging the wedding and/or wedding reception and/or wedding services to a similar standard to the amount originally budgeted".

RSA has accepted the reasons for cancellation fall within those set out in the policy. The issue is whether the costs Ms H and Mr W claimed for are covered by their policy. I think the first question is whether RSA has acted in line with the policy terms in offsetting the total budgeted cost of the original wedding against the total cost of the rescheduled wedding.

Ms H and Mr W say the policy wording differentiates between the different elements of a wedding (the wedding itself, the reception and the services provided). So, in calculating whether additional costs have been incurred, it's not right to look at the overall cost as RSA has done; the claim should be considered against those different elements. Applying that approach in line with the definitions in the policy means catering would be part of the wedding reception whereas the other elements of their claim would be separately considered as wedding services.

But I don't think that argument takes into account the policy definition of 'additional costs' which is "the difference between the original cost of the wedding/wedding reception services and the rearranged wedding/wedding reception services to provide an equivalent service to that originally booked." I think it's reasonable to interpret that term as meaning it's the total cost of the wedding (the event itself, the reception and related services) that needs to be considered when deciding whether additional costs have been incurred and if the overall costs of rearranging a wedding have resulted in a loss to the policyholder. So I think RSA acted correctly in taking that approach in this case.

Ms H and Mr W say RSA acted unfairly when calculating the budget for their original wedding as the catering quote they received wasn't based on final numbers. They say that they were asked to by the caterers to over-estimate the attendees and these would always have reduced by the time of the wedding. And they say the policy doesn't define the word 'budget'.

I appreciate Ms H and Mr W anticipated numbers would reduce by the time the wedding took place. But I don't think that's the issue. The question is whether the quote from the caterers could reasonably be said to represent their available budget. I agree that 'budget' isn't defined in the policy but a dictionary definition is "the amount of money you have available to spend" which I think represents a common understanding of this word.

The quote from their caterers was based around 120 attendees (and included meals for eight children). And the invitations Ms H and Mr W ordered roughly correspond with those anticipated numbers. That suggests to me the cost quoted by the caterers does represent the amount Ms H and Mr W were prepared to pay for catering. I recognise that number might have changed as the wedding approached and so the actual sum paid could have been lower. But I don't think RSA acted unreasonably in concluding that this nevertheless represented their catering budget.

I've gone on to think about whether, on that basis, RSA has correctly calculated the amounts due to Ms H and Mr W. Their claim included costs of £290 for catering as the cost per head had increased as a result of inflation. However, I think RSA has acted correctly in concluding that isn't an increase covered by the policy because the overall cost for catering is lower

than the amount Ms H and Mr W budgeted for this.

The remaining elements in dispute relate to photography, invitations and a harpist. Some of those costs (for a new photographer and new invitations) relate to the rescheduled wedding. And I can see those increased amounts are included in the calculation of Ms H and Mr W's actual wedding expenditure. Based on the invoices they provided that's been calculated by RSA at around £13,900. The original wedding budget as calculated by RSA (and again based on the information Ms H and Mr W provided) was around £14,800. So even with the costs for the photographer and invitations included I don't think they've incurred additional costs (as defined by the policy) for their rearranged wedding.

But there are other costs which relate to the original wedding (a lost deposit to the photographer who was due to attend, the invitations and money not refunded by the harpist). And their policy also covers costs relating to cancellation and says it will pay "irrecoverable expenses paid by you in respect of ceremonial attire and wedding services booked but not used as a direct result of the unavoidable cancellation or curtailment of the wedding or wedding reception". It doesn't appear to be in dispute that the amounts Ms H and Mr W paid for their original wedding were irrecoverable so I think RSA should have considered these under this section of their policy.

Those costs total £868.36 (£375 deposit to the photographer, £170.80 that wasn't refunded by the harpist and £322.56 for the invitations). Subtracting the policy excess means Ms H and Mr W should have been paid £818.36. RSA has paid them £545 in relation to their claim plus £400 to reflect the distress and inconvenience they were caused by failings in the handling of it.

I think the payment for distress and inconvenience is fair but I don't think RSA has paid all it should under the terms of their policy. So it will need to pay a further £273.36 (that's £818.36 less the £545 already paid). It will also need to pay interest at 8% simple on that amount from the date the payment should have been made (3 January 2022) until the date it is.

Ms H and Mr W have referred to further costs they incurred in relation to the rescheduled wedding which they haven't yet included in their claim. But if RSA isn't aware of these costs then it can't have had the opportunity to take them into account. So if Ms H and Mr W want it to do so they'll need to share this information with it so it that can be done

Responses to my provisional decision

Ms H and Mr W felt they had valid reasons for their original complaint but agreed with the additional point I'd made and said they were happy to proceed on that basis. RSA didn't respond.

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.

Ms H and Mr W are happy to proceed on the basis I outlined in my provisional decision and RSA hasn't responded. So I don't have any reason to change the findings I previously set out.

My final decision

I've decided to uphold this complaint. RSA will need to pay Ms H and Mr W £273.36 plus interest at 8% on that amount from the date the payment should have been made (3 January

2022) until the date it actually is.

If RSA considers it's required by HM Revenue & Customs to deduct income tax from that interest, it should tell Ms H and Mr W. It should also give them 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 Ms H and Mr W to accept or reject my decision before 7 February 2023.

James Park
Ombudsman