

The complaint

Mr and Mrs M are unhappy that Great Lakes Insurance SE wouldn't offer them travel insurance cover after Mrs M experienced a change in health.

What happened

Mr and Mrs M have had annual travel insurance policies with Great Lakes for a number of years. In October 2020 they renewed their policy.

In January 2021 Mrs M was diagnosed with cancer. A few months later Mrs M got in touch to discuss this with her insurer, as they had some holidays planned. Great Lakes told her that she could cancel the holiday or her insurance. She says this left her upset and shocked as she was fit to travel. And, the cancellation of the policy had an impact on her husband because they jointly held the policy.

Mr and Mrs M cancelled the policy and took out alternative cover with two different insurers at a cost of around £750. Great Lakes refunded all of the premium Mr and Mrs M had paid, which was £129.56. Unhappy, Mr and Mrs M made a complaint to our service.

Our investigator looked into what had happened and upheld the complaint. She thought Great Lakes should pay the difference between the cancellation costs at the point of Mrs M's diagnosis and the cost of the new insurance policy. She also said that Great Lakes could deduct the £129.56 it had already paid back to Mr and Mrs M. And, she said Great Lakes should pay 8% simple interest from the date that the new policy was in place.

Following the investigator's recommendation there was a lot of communication between the parties. The current position is that Great Lakes accepted the investigator's findings. However, when Mr and Mrs M provided evidence in support of their claim Great Lakes said they should only pay 40% of the total amount. That was because Mr and Mrs M were travelling as part of a group of five people. Mr and Mrs M didn't accept that this was fair.

In February 2023 I issued a provisional decision. I said:

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

I'm sorry to hear of Mrs M's diagnosis. I appreciate it was upsetting for her that her travel insurer, with whom she'd been a customer for many years, couldn't offer her cover as a result.

However, under the policy terms and conditions Great Lakes is entitled to ask Mrs M to let them know about a change in her health. In such circumstances it isn't always possible for insurers to accept the increased risk that a change in health presents. Based on the underwriting evidence I've seen Great Lakes could no longer offer Mrs M cover. So, in line with the policy terms, they offered her a refund of the premiums

or the option to cancel. I don't think that was unreasonable – it's in line with the relevant policy terms and is standard industry practice.

The key issue now to be decided in this case is how much Great Lakes needs to pay Mr and Mrs M.

The two new insurance policies cost £750.80 and Mr and Mrs M have already had a refund of £129.56 for their premiums. So, the maximum I'd direct Great Lakes to pay in this case is £621.24 which is the difference between the costs of the original policy and the new ones they took out. Great Lakes has made the point that Mr and Mrs M's new policies didn't offer 'like for like' cover.

Mrs M didn't contact Great Lakes for a few months after her diagnosis, which is understandable, given the circumstances. The evidence provided shows that Mrs M had most likely paid €358 euros towards the villa costs and a total of £519.90 for flights for the group prior to her diagnosis.

The policy terms say:

'We will pay up to a maximum of £500 for basic cover or £5,000 for comprehensive cover ...per insured person for your non-refundable deposits and amounts you have paid (or are contracted to pay) for your travel and accommodation costs'.

'Insured person/you/your/yourself' is defined as:

'each person named on the Validation Certificate, and for whom the required premium has been paid'.

The validation certificate covers Mr and Mrs M, not their children. So, they are the 'insured persons' who are entitled to receive a benefit in the event of a claim. In this case Mr and Mrs M had paid all of the villa costs and flights as a gift for their children. They've given consistent evidence on this point and it is supported by the information they provided in support of their claim. The validation certificate shows that they had selected comprehensive cover and the costs they are claiming for fall within the relevant policy limits for cancellation.

I don't think the policy terms are clear and unambiguous about cover in these circumstances.

Nor are they prominent or transparent in the policy documentation. Although I think Great Lakes intended to exclude holidays paid for on behalf of people not insured on the policy that's not what the terms and conditions actually say.

The relevant policy term I've outlined above does refer to the 'insured person'. But it says that there is cover for your non-refundable deposits and amounts you have paid (or are contracted to pay) for your travel and accommodation costs. Mrs M was an insured person and had paid for the accommodation and flights costs. So, I can understand why she thought she'd be covered for them.

Even if Mr and Mrs M had looked at the policy definition of 'insured person' or 'you' I don't think it would have been clear that costs they'd paid out their own pocket, as a gift, wouldn't be covered. Great Lakes hasn't highlighted any specific or general exclusion which excludes trips paid for as a gift. Taking all of the above into account I

think it's fair and reasonable for Great Lakes to cover the cost of the villa in full and the flights (up to the maximum amount I've set out already).

I've taken into account that Mr and Mrs M may not have purchased like for like cover. But, ultimately, it's difficult to know what specific features of the policy increased the price. And, I bear in mind that Mrs M's diagnosis would have made it difficult for her to source cover at all. She wanted to go on the trip and ultimately this reduced Great Lakes overall liability. So, this point hasn't changed my thoughts about the overall outcome of this complaint.

Putting things right

I'm intending to direct Great Lakes to pay £621.24 and 8% simple interest per annum from the time the policy was cancelled to the date of settlement.

If Great Lakes 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 they ask for one. Mr and Mrs M can use this to try and reclaim the tax from HM Revenue & Customs.

Great Lakes and Mr and Mrs M accepted my provisional decision.

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.

As both parties accepted my provisional decision there's no reason for me to reach a different outcome.

I'm upholding this complaint for the reasons I've outlined above and in my provisional decision. My provisional findings form part of my final decision.

Putting things right

I'm directing Great Lakes to pay £621.24 and 8% simple interest per annum from the time the policy was cancelled to the date of settlement.

If Great Lakes 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 they ask for one. Mr and Mrs M can use this to try and reclaim the tax from HM Revenue & Customs.

My final decision

I'm upholding Mr and Mrs M's complaint and direct Great Lakes Insurance SE to put things right in the way I've outlined 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 3 April 2023.

Anna Wilshaw

Ombudsman