

The complaint

Mr H and Mrs P complain about the way that U K Insurance Limited (UKI) handled a claim they made on a travel insurance policy.

As Mr H made the complaint, for ease of reading, I've referred mainly to him throughout this decision.

What happened

The background to this complaint and the timeline of events are well known to both parties, so I haven't set them out in detail here. Instead, I've focused on a summary of the main events.

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

In July 2022, Mr H and Mrs P were due to go on holiday. Unfortunately, before they left the UK, their motorhome and all of its contents were stolen. They obtained a crime reference number and made a claim on their policy.

UKI looked into the claim. It asked Mr H to provide some information, which Mr H duly sent in. UKI asked Mr H for further information throughout the life of a claim, before giving Mr H a settlement figure of around £3547 in September 2022. However, a short while later, UKI told Mr H that due to lack of proof of ownership of the items he'd claimed for, it would likely look to settle the claim at around 50% of the claim value. It went on to settle around 50% of the claim.

Mr H was unhappy with the settlement UKI had paid and he provided additional evidence to substantiate his claim. He was also unhappy with the way UKI had handled the claim. UKI agreed to pay Mr H's claim in line with the applicable policy limit and paid a second sum of money. However, UKI had calculated the settlement incorrectly and so after Mr H pointed this error out to UKI, it paid him a further amount. The final settlement was paid on 20 October 2022.

UKI accepted it had made mistakes in the handling of the claim. It had repeatedly asked Mr H for information he'd already provided; it hadn't called him back when its call handlers had said it would; it had failed to let Mr H know early on that if he didn't substantiate his claim, settlement was likely to be limited to 50% of the claim value, and it had incorrectly calculated the settlement due. So it paid Mr H £250 compensation to recognise its errors.

Mr H didn't think the compensation UKI had paid was enough to recognise the impact of the errors it had made. Nor did he think UKI had provided a satisfactory explanation for those errors. He was concerned that UKI had deliberately sought to pay him a lower settlement.

Our investigator didn't think UKI's compensation payment was enough to put things right, given the errors it had made. So he recommended that UKI should increase its total payment to £450.

Mr H accepted the investigator's findings, although he remained concerned about UKI's practices. And he didn't think the settlement reflected the level of incompetence, or deliberate mismanagement UKI had shown throughout the life of the claim.

UKI didn't accept the investigator's recommendations and it maintained that its payment of £250 was fair and reasonable.

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've decided that UKI must pay Mr H and Mrs P a total of £450 compensation and I'll explain why.

The relevant regulator's rules say that insurers must handle claims promptly and fairly. And that they must provide reasonable guidance to help a policyholder make a claim and appropriate information on its progress. I've considered those rules, amongst other things, when deciding Mr H's complaint.

At the outset, I must make it clear that our service has no power to fine or punish the financial businesses we cover. Neither can we direct a financial business to change its processes or procedures. That's because we're not the industry regulator. My role is to consider whether UKI treated Mr H and Mrs P fairly, in the individual circumstances of this complaint. And, if I don't think it did, then I need to consider what fair compensation should be.

In this case, UKI acknowledges that it made clear mistakes in the handling of this claim. Generally, it's for a policyholder to provide enough evidence to show that they have a valid claim on their policy and to provide evidence to show they owned the item(s) they've claimed for. I accept that UKI's policy terms state that policyholders are required to substantiate their claims.

However, I don't think UKI made it sufficiently clear to Mr H from the outset that he'd need to provide proof of ownership of the items he'd claimed for. So he provided only limited evidence. It wasn't explained to Mr H that he'd need to provide evidence of ownership of his items until mid-September 2022 – around two months after he'd made the claim. This had followed ongoing claims correspondence between Mr H and UKI. So I think UKI had several opportunities to explain to Mr H what information and evidence it required in order to deal with his claim. I also think it had opportunities to inform Mr H that if he couldn't substantiate the items he'd claimed for, settlement would be limited at around 50%. Based on what I've seen, I think if UKI had told Mr H what evidence it needed at the outset, he'd likely have provided it upfront. This means that the claim could've been fairly settled far sooner than it was.

I don't doubt that being asked for information at a relatively late stage in the claim, followed by a significant reduction in the value of the original settlement, (in addition to requests for information Mr H had already sent in) caused Mr H unnecessary frustration and inconvenience.

It's also clear that even when UKI did accept that Mr H had substantiated his claim and recalculated settlement, it made an error in the payment it made and paid Mr H less than it should've done. Mr H had to point this out to UKI in order for the settlement to be corrected.

Again, I think this is likely to have caused Mr H additional frustration and annoyance, on top of the issues he'd already experienced.

UKI acknowledges too that it didn't provide Mr H with the customer service it ought to have done. It accepts it failed to call him back when it said it would; it failed to make a note of a conversation Mr H had had with a call handler; and directed him to try and obtain a Police report which it ought to have known couldn't be provided. Mr H felt that one call handler lacked empathy and I note that UKI apologised for this in its final response to Mr H's complaint. And UKI also agreed that the claim should have been assigned to one claims handler, for continuity purposes. In my view, this would've likely made Mr H's claims journey far smoother than it was. I note too that UKI's claims team wrongly told Mr H that he couldn't contact its customer relations team regarding the matter – which was incorrect.

I've carefully considered all of the errors UKI made. And I've thought about the impact I think they're likely to have had on Mr H. I've seen no evidence that UKI deliberately sought to reduce the settlement Mr H was entitled to – I think its mistakes were down to human error. But it seems to me that Mr H spent a great deal of unnecessary time and trouble in providing information and in contacting UKI – over and above the day to day inconvenience of making a claim. I think the service he received, over a period of months, is likely to have caused Mr H significant upset. I note that Mr H was also having to correspond with UKI about his claim during a holiday – which I feel is likely to have impacted on his overall enjoyment of it.

Taking all of these factors into account, I'm persuaded that UKI's handling of this claim did cause Mr H material distress and inconvenience and that in these circumstances, £250 compensation doesn't go far enough to reflect this. So I agree with our investigator that a total compensation award of £450 (less the £250 UKI has already paid) is a fair and reasonable way to put things right.

My final decision

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

I direct UK Insurance Limited to pay Mr H and Mrs P total compensation of £450 (less the £250 it's already paid them).

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H and Mrs P to accept or reject my decision before 2 June 2023.

Lisa Barham
Ombudsman