

The complaint

Mr and Mrs C are unhappy with how AWP P&C SA dealt with a claim under their travel insurance policy.

What happened

Mr and Mrs C took out an annual travel insurance policy on 25 September 2021. The insurer of the policy was AWP P&C SA. The policy provided cover for various pre-departure and post-departure risks.

Mr and Mrs C have explained that they booked a long weekend away in the UK, with the trip due to be from 11 February 2022 to 14 February 2022. They've said the trip was for their whole family – and was paid for with funds they inherited from Mr C's late mother. Mr and Mrs C said that Mr C's late mother had specifically left funds for an event to bring the family together. So, that's what they used those funds for.

However, the trip needed to be cancelled, because several members of the family became ill with Covid-19, and therefore it was no longer possible to take the trip as intended. Because of this, Mr and Mrs C have said they lost the sum of £5,450 – which was the total paid for the booking. So, they made a claim under their travel insurance policy for this loss on 15 February 2022.

AWP considered the claim and accepted it. On 6 June 2022 wrote to Mr and Mrs C with a settlement for the claim. This settlement was £576.66. AWP explained how this settlement figure was arrived at. It said there were 15 people taking the trip, with the total cost of the trip being £5,450. So, it divided the total cost of the trip by 15. And then paid for what it said were the costs for two people to go on the trip – Mr and Mrs C. Minus the applicable policy excess.

Mr and Mrs C didn't think this was correct. They said they had paid for the whole of the trip, using funds from Mr C's late mother. So, they should receive £5,450 in respect of their claim, minus the policy excess.

AWP maintained its position on the claim settlement. It said that the cancellation section of Mr and Mrs C's policy provided for "*your irrecoverable portion of costs.*" AWP said it could only pay the proportion of any claim that relates to the people named on the policy – which was Mr and Mrs C. So, AWP said it was right to base the settlement only on Mr and Mrs C's proportion of the trip. AWP said other members of Mr and Mrs C's family would need to claim on their own travel insurance policies for the remaining proportions of the cost.

In addition to this, AWP said that the Covid-19 pandemic and increase in claims had affected their ability to respond to customers and answer calls as quickly as they'd like. So, AWP apologised for this. Mr and Mrs C remained dissatisfied with AWP's position on the matter. So, they referred their complaint to this service for an independent review.

Our investigator considered this complaint and thought it should be upheld. They said

Mr and Mrs C had paid for the trip in its entirety, from funds left to them specifically for the purpose of them using the money to bring the family together. So, they considered Mr and Mrs C had paid for the holiday as a gift, and they considered their portion of the trip to therefore be the full amount paid. For that reason, they considered that AWP should settle the outstanding amount of the claim, in line with the remaining terms of the policy.

In addition to this, our investigator recommended £75 compensation be paid to compensate Mr and Mrs C for the impact delays in processing the claim caused to them.

Mr and Mrs C responded to our investigator and accepted their outcome. AWP didn't reply. As AWP didn't reply. So, this complaint has been referred 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 to uphold this complaint. I've explained why below.

When considering complaints such as this, I need to consider the relevant law, rules and industry guidelines. The relevant rules, set up by the Financial Conduct Authority, say that an insurer must deal with a claim promptly and fairly. So, I've thought about whether AWP acted in line with these requirements, when it agreed to settle £576.66 for Mr and Mrs C's claim.

I've also reviewed the terms and conditions of Mr and Mrs C's policy, to see what cover it provides to them. From doing so, I can see there is cover for cancellation of a trip, where Mr and Mrs C or a travelling companion was suffering from illness, including Covid-19. It's accepted that was the situation Mr and Mrs C found themselves in.

The cancellation section of the policy goes on to explain that AWP will pay the for: ***"your irrecoverable portion of the costs; for travel, air tickets, pre-booked excursions, tours, courses and/or events up to the sum insured....which have not been used and you have paid or are contracted to pay."***

Given the above, I'm aware the policy only covers Mr and Mrs C's portion of the irrecoverable costs. The dispute in this case is about what Mr and Mrs C's portion of the costs for the trip are. With AWP saying Mr and Mrs C's portion of the costs were two fifteenths of the trips cost – because the holiday party was made up of 15 people. I've thought about whether AWP has acted fairly in this case by deciding this. And I don't think it did.

I'm satisfied Mr and Mrs C's portion of the costs was the total cost the trip. I say this because Mr and Mrs C have evidenced that they paid for the total trip. They've provided bank statements and payment confirmation from the accommodation provider which confirms this. And they've explained why they were paying for the whole trip. This being because they were provided with funds from Mr C's late mother, to bring the family together. I haven't seen any suggestion that Mr and Mrs C were expecting any form of repayment. And therefore, their portion of the trip was the whole amount.

I appreciate AWP consider that the term in their policy allows for them to pay only for the costs associated with two people staying at the booked accommodation. But the policy doesn't say it will only pay for Mr and Mrs C's proportion, *regardless of whether they paid for others*, it simply says it will pay for Mr and Mrs C's portion of the trip. Which as above, I'm satisfied it's fair and reasonable to say was the full amount.

Given the above, AWP I'm satisfied AWP should settle the outstanding amount of Mr and Mrs C's claim, based on their portion of the trip being the whole cost of it, in line with the remaining terms and conditions of the policy.

Mr and Mrs C have been without these funds, since the point their claim was accepted, and they were offered a settlement of £576.66 on 6 June 2022. So, AWP should also pay 8% simple interest on this amount, as detailed in '*my final decision*' section below, to recognise they have been without funds that should have been settled on 6 June 2022.

Lastly, Mr and Mrs C complained that their claim took too long to deal with, and that the customer service provided in respect of their claim was poor. AWP accepted there had been delays in the claim. It apologised for the issues experienced. But I do think it would also be fair for AWP to pay some compensation to Mr and Mrs C, for the distress and inconvenience they experienced as a result of these issues.

Mr and Mrs C have said the situation caused them inconvenience and frustration. And it's caused some friction in the family, as they haven't been able to rebook the family trip. With this impact in mind, I'm satisfied £75 compensation is a fair and reasonable amount to recognise the trouble and upset Mr and Mrs C have experienced. So, I also require AWP to pay this.

My final decision

Given the above, I require AWP P&C SA to:

- Settle the outstanding amount of Mr and Mrs C's claim, based on their portion of the trip being the whole cost of it, in line with the remaining terms and conditions of the policy.
- Pay 8% interest, simple per annum on the outstanding amount, from the date of initial settlement, which was 6 June 2022, to the date the remaining amount is settled, less any tax properly deductible. If HM Revenue & Customs requires AWP P&C SA to deduct tax from this interest, AWP P&C SA should give Mr and Mrs C a certificate showing how much tax its deducted, if they ask for one.
- Pay Mr and Mrs C £75 compensation.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr and Mrs C to accept or reject my decision before 8 June 2023.

Rachel Woods
Ombudsman