DRN-4124007

Financial Ombudsman Service

The complaint

Mr and Mrs D complain that Great Lakes Insurance SE has turned down a claim they made on a travel insurance policy.

What happened

In February 2022, Mr and Mrs D took out a single trip travel insurance policy through a broker. The policy was underwritten by Great Lakes. Mr and Mrs D had booked to travel on a cruise, which was scheduled to depart on 10 July 2022 from a town in a country I'll call N. Their outbound flight was a connecting flight, the first leg travelling from the UK to a city in N on 9 July 2022. Following an overnight stopover, the second leg of the flight was then due to fly on to the place from where the cruise was departing, in time for Mr and Mrs D to board the ship.

Two days before they were due to fly to N, Mr and Mrs D received an email from the cruise operator, stating that there was a chance that their flights could be affected by strikes. However, the cruise operator gave a second opportunity for delayed passengers to meet the cruise on 12 July 2022. So Mr and Mrs D flew to N as planned on 9 July 2022. However, after their arrival in N, the second leg of their flight was cancelled due to the strikes. And the airline told Mr and Mrs D that it couldn't find them suitable alternative seats to travel on to the cruise departure point. As such, Mr and Mrs D weren't able to take the second leg of their flight in time to board the cruise at either opportunity and so they returned to the UK. They made a claim on the policy for their costs.

Great Lakes turned down Mr and Mrs D's claim. It said the circumstances of the claim weren't covered by any section of the policy.

Mr and Mrs D were unhappy with Great Lakes' decision and they asked us to look into their complaint.

Our investigator thought Mr and Mrs D's complaint should be upheld. She noted that the cancellation section of the policy covered abandonment if a policyholder's flight was delayed by more than 12 hours. Mr and Mrs D's flight had been effectively delayed by more than 12 hours. While she acknowledged that Mr and Mrs D's flight had been cancelled rather than delayed, she thought the effect on them had been the same. She accepted that Mr and Mrs D's cancelled flight had been a connecting flight, which was excluded by the policy terms. But she didn't think Great Lakes had made this exclusion clear enough in the contract documentation. And she felt that had it done so, Mr and Mrs D wouldn't have purchased this particular policy. Overall, she recommended that Great Lakes should pay Mr and Mrs D's claim, together with interest and that it should also pay them £150 compensation.

Great Lakes disagreed. It maintained that the claim wasn't covered by the policy terms.

So 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 don't think it was fair for Great Lakes to turn down Mr and Mrs D's claim and I'll explain why.

The relevant regulator's rules say that insurers must handle claims promptly and fairly. And that they mustn't turn down claims unreasonably. So I've considered, amongst other things, the terms of Mr and Mrs D's policy and the circumstances of their claim, to decide whether I think Great Lakes treated them fairly.

I've first considered the policy terms and conditions, as these form the basis of Mr and Mrs D's contract with Great Lakes. Mr and Mrs D's cruise holiday had to be abandoned during their outbound journey to their cruise departure point – a point they never reached. So, I think it's fair and reasonable for Great Lakes to consider the claim in line with the cancellation section of the policy.

Page 15 sets out the listed, specific 'insured events' for which Great Lakes has chosen to provide cancellation cover. One of these is if:

'*you abandon your trip following a delay of more than 12 hours to the departure of your outward trip that is covered within Section 5 Travel Delay.'*

So I've gone on to consider the 'Travel Delay' section of the policy. This says:

'*We pay up to the amount shown on the table of benefits if the intended departure of your first outward or final inward international flight, sea crossing or coach or train journey forming part of a booked trip, is delayed as a direct result of strike or industrial action, adverse weather conditions, failure of air traffic control systems, an act of terrorism (affecting your return journey only), or mechanical breakdown of aircraft, sea vessel, coach or train.*

Alternatively you can choose to abandon your trip and submit a Cancellation claim under Section 1, should you experience a delay as specified above, of more than 12 hours beyond the intended departure time.'

I'm satisfied then that Great Lakes provides cancellation cover if a policyholder has to abandon their trip after a delay to their outbound flight of more than 12 hours, because of strike action. It's clear though that in this case, Mr and Mrs D's flight was cancelled, rather than delayed. And that the flight cancellation took place on the second leg of their outbound flight from the UK to the cruise departure point. As such, on a strict application of the policy terms, Mr and Mrs D's claim isn't covered.

However, I can depart from a strict interpretation of the contract terms if I think their application produces an unfair result. And that's the case here, as I'll go on to explore.

As I've set out above, Mr and Mrs D were told, two days before they were due to travel, that their flight could be affected by strikes, but that there was another chance to board the cruise two days later if they were delayed. In my view, Mr and Mrs D acted as prudent insureds by flying to N on 9 July 2022, in order to try and mitigate their losses as much as possible and to take steps to board their cruise as planned. Mr and Mrs D's second leg of the flight *was* cancelled by the airline, due to strike action. It wasn't able to offer them a replacement flight. So I'm satisfied that Mr and Mrs D's flight was delayed, due to an insured reason, for more than 12 hours. And whether the flight was cancelled or delayed, the impact on Mr and Mrs D

was the same – they were unable to take their flight and therefore, missed the opportunity to board their cruise. Nor were they able to arrange replacement flights which would get them to their boarding point in time to take the cruise. Or indeed which would get them to the boarding point in order for them to connect with the cruise when it returned to the original departure point to meet delayed passengers. So I don't think Mr and Mrs D could've reasonably taken any further steps to try and mitigate their losses. Accordingly, I think they had little choice but to decide to abandon their trip and return to the UK.

I appreciate the Travel Delay section provides cover for the first outward international flight. But in these circumstances, I find it's fair and reasonable for Great Lakes to treat Mr and Mrs D's cancelled flight as falling within the scope of cover. I say that because Mr and Mrs D's flight was booked as one flight from the UK to N, even though it was broken down into two 'legs'. And I note that Great Lakes hasn't expanded on what it means by 'first outward international flight' within the policy terms.

The Travel Delay section of the policy states that Great Lakes won't cover:

'*any costs incurred as a result of you missing a connecting flight.'*

I've thought about this carefully, as I'm mindful that Mr and Mrs D's flights were booked as connecting flights. With that said, it isn't at all clear that this exclusion could fairly apply to the circumstances of Mr and Mrs D's claim. That's because Mr and Mrs D didn't 'miss' their connecting flight – it was cancelled.

Even if I'm wrong on this point though, I agree with our investigator that Great Lakes didn't clearly highlight this exclusion within the policy documentation. In my view, exclusions for connecting flights are a significant restriction on policy cover which ought to be drawn to a policyholder's attention in the policy documentation. However, the Insurance Product Information Document, which sets out an at-a-glance summary of the main features and exclusions of the policy, doesn't include this term. I don't think that by including the exclusion on page 21 of the policy, Great Lakes did enough to draw Mr and Mrs D's attention to it. Given Mr and Mrs D's ability to reach the cruise departure point depended upon them taking connecting flights, I think this exclusion is likely to have been important to them. And so I find it's unlikely they'd have chosen to buy this cruise-specific policy had the term been made clear enough.

Overall, based on the specific facts of this complaint, I don't think it's fair or reasonable for Great Lakes to have turned down Mr and Mrs D's claim. I'm persuaded that an effective delay of more than 12 hours, due to an insured reason, led to Mr and Mrs D having no choice but to abandon their trip. On that basis, I find it would be fair and reasonable for Great Lakes to treat this claim as covered under the cancellation section of the policy and to now settle Mr and Mrs D's claim, in line with the policy terms, together with interest.

I'd add that I think Great Lakes could have done more to progress this claim more quickly than it did and there were delays too in it responding to Mr and Mrs D's concerns. I don't doubt that this caused Mr and Mrs D unnecessary, additional frustration and inconvenience. So I agree with our investigator's recommendation that Great Lakes must also pay Mr and Mrs D £150 compensation.

My final decision

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

I direct Great Lakes Insurance SE to treat Mr and Mrs D's claim as covered under the cancellation section of the policy and to now pay their claim in line with the remaining terms

and conditions of the policy. It must add interest to the settlement at an annual rate of 8% simple, from the date of claim until the date of settlement. *

I also direct Great Lakes to pay Mr and Mrs D £150 compensation.

*If Great Lakes considers that it's required by HM Revenue & Customs to take off income tax from that interest, it should tell Mr and Mrs D how much it has taken off. It should also give Mr and Mrs D a certificate showing this 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 Mr and Mrs D to accept or reject my decision before 3 August 2023.

Lisa Barham
Ombudsman