

The complaint

Mr and Mrs B complain about U K Insurance Limited's (UKI) settlement of a curtailment claim under their travel insurance policy and about its service.

What happened

Mr and Mrs B have travel insurance through a packaged bank account. The insurer is UKI.

In February 2020 Mr B went to an Asian country where he had six months rental accommodation until April 2020.

On 23 March 2020 the Foreign, Commonwealth & Development Office (FCDO), formerly the Foreign and Commonwealth Office ('FCO'), advised all UK travellers abroad to return to the UK due to the Covid-19 pandemic.

Mr B curtailed his trip and ended his rental agreement around 25 March 2020. He says the rental accommodation was about 200 miles from the airport and as information suggested that the country's government was planning to restrict movement to different locations he decided to change to alternative accommodation near the airport. He rented the alternative accommodation on a monthly basis as he says he didn't know how long he would be there and the monthly rate was cheaper than the daily rate.

As Mr B couldn't give a month's notice that he was vacating the original rental accommodation the accommodation provider refused to return his deposit. Mr B said that as he'd expected that to happen he'd refused to pay the final month's rent that was due.

Mr B had hired a vehicle from 3 March to 16 April 2020 which he returned on 25 March. The provider returned the deposit but not the cost of the unused days.

Mr B says that despite many attempts he couldn't contact the airline with which he had a scheduled return flight in mid April 2020. He was able to change the return date of the flight to the first available date on the airline's on-line system, 4 April 2020, but the airline then suspended all flights indefinitely. He booked a new return flight with another airline to return on 1 April 2020 to a London airport, rather than his local airport.

Mr B says no public transport was available for the journey from London to his home so a family member drove to collect him and return him home.

When Mr B arrived back in the UK he claimed on the travel insurance for the following costs:

- £649 for unrefunded security deposit

- £235 for alternative accommodation
- £719 for unused vehicle hire costs 26 March to 16 April 2020
- £100 to £175 for miscellaneous costs while abroad (travel to the capital, travelling to the airport to book flight, phone charges, labour costs and credit interest charges)
- £98 for the initial return flight change to 4 April 2020
- £558 for the new return flight to London
- £113 for his family member's fuel to collect him from London and return him home.

Initially UKI didn't respond to the claim and Mr B complained to it about the delays and its lack of communication about his claim. He also complained that when he'd spoken on the phone to a UKI representative who was working from home he could hear a young child and television sound in the background. Mr B believed that was inappropriate and he wanted to report the individual to social services.

UKI accepted it has delayed in assessing the claim and paid Mr B £100 compensation as an apology. It acknowledged that it had sent him a further email, asking for information about the claim, when he'd asked it not to send any more such emails. And UKI said the UK lockdown meant working from home arrangements were in place for its staff, which could result in some interruptions, but it believed the appropriate arrangements were in place and it wasn't appropriate to contact any external authorities such as social services.

UKI accepted the claim and in September 2020 paid some, but not all, of the costs Mr B had claimed. UKI applied the exchange rate it had recorded for the relevant time, which was different to the exchange rate Mr B had applied when calculating his costs. UKI paid Mr B:

- £212.64 for the alternative accommodation
- £649.45 for the unused car hire
- £113 for the fuel costs.

UKI deducted the £50 claim excess, so paid a total of £925.09. It said that the other costs claimed weren't covered.

Mr and Mrs B were unhappy with UKI's response and complained to us.

While the complaint was with us UKI re-reviewed the claim and offered to pay the following further costs in addition to the costs it had already paid:

- £353.61 for the relevant proportion of loss if Mr B had paid the final month's rent for the original accommodation
- 11p more for the fuel costs in line with the receipt Mr B provided
- 1p extra for the vehicle hire due to a recalculation.

UKI also said as Mr B's original return flight and amended return flight were cancelled by the airline under consumer protection regulations he would be entitled to a full refund from the airline. If he couldn't get a refund Mr B would need to provide evidence of that and then UKI could consider his additional cost to return home, which would be the difference between the cost of his original return flight and the new return flight cost. Mr B would need to provide evidence of the cost of the original return flight so UKI could calculate the amount to pay.

UKI said there was no policy cover for the remaining costs claimed.

Mr and Mrs B didn't accept UKI's revised settlement. In summary they said:

- Mr B was left 'abandoned' abroad with no assistance from the airline, the government or UKI and he found UKI's response 'insulting'.
- UKI had applied the wrong exchange rate.
- Mr B didn't pay the last month's rent so that wasn't his loss, his loss was the security deposit which was a larger amount.
- UKI had unfairly calculated the cost of his alternative accommodation.
- He had no success in contacting the original airline, and he'd told UKI to contact the airline on his behalf, to get a refund. He didn't know the cost of the original return flight and it wasn't relevant as his additional cost was the £558 for the new flight and the £98 he paid to amend the original flight which was also cancelled.
- The miscellaneous costs he incurred were essential and impossible to quantify as he couldn't obtain receipts in the panic at the time.
- The 'UK government approved travel rate' was 45p per mile so the cost of his family member collecting and returning him home was £355. Mr B also referred to a 'government subsistence rate' and he said calculations using that rate meant the food he and his family member had when he was collected from London was £210. So Mr B had recalculated that the costs for him being collected and returning home should be £565.
- UKI couldn't fairly deduct £50 from his claim payment.
- Since the time of his claim Mr B believed UK inflation has been 22.5% so any additional payment from UKI should be inflated by 22.5 %.

UKI said Mr B hadn't previously claimed for the food costs for when he'd been collected from London. It offered to pay £30 though noted Mr B had provided no receipts for those expenses.

Our investigator said that UKI's revised offer of settlement for the claim was reasonable and its payment of £100 compensation to acknowledge it could have handled the claim better was fair.

Mr and Mrs B disagree and want an ombudsman decision. They added:

- Mr B been left to defend for himself abroad in a 'horrific' situation.
- He'd used the least expensive way to get home from London and no taxi was available.

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.

The relevant regulator's rules say that insurers must handle claims promptly and fairly. And they mustn't turn down claims unreasonably.

I've considered all the points Mr and Mrs B have made but I won't address all their points or answer all the questions they've asked in my findings. I'll focus on the reasons why I've made my decision and the key points which I think are relevant to the outcome of this complaint.

I partly uphold the complaint. I don't think UKI's initial settlement of the claim was reasonable. But I do think UKI's revised offer of settlement, made after Mr and Mrs B

complained to us, is reasonable. And I think the £100 it paid for Mr and Mrs B's distress and inconvenience due to its delays in handling the claim is fair. I'll explain why.

I understand that Mr B found himself in a very difficult situation through no fault of his own. But insurance policies don't cover every situation a policyholder may themselves in. The risks and costs an insurer wants to insure are set out in the contract of insurance – the travel insurance policy.

Page 22 of this policy says there is cover for curtailment of a trip if the trip is cut short for one of the reasons the policy lists, which includes:

'FCO travel advice: Foreign & Commonwealth Office advice against 'All travel' or 'All but essential travel' to your destination, provided that advice came into force after your departure on your trip'.

When Mr B curtailed his trip the FCDO had advised against travel and had also advised UK travellers to return to the UK. So an insured event for cover happened and UKI should pay Mr B's curtailment costs that are covered by the policy terms.

The policy details the costs that are covered for a curtailment claim:

'You are covered for

We will pay up to £5,000 for each insured person for their portion of the trip costs if you have to cut your trip short, including:

- *Unused commercially operated accommodation and travel costs.*
- *Unused car hire.*
- *Unused excursions and activities.*
- *Unused kennel, cattery or professional pet sitter costs.*
- *Unused car parking costs.*
- *If you have to return home early and you can't use your return tickets we will pay reasonable costs for additional accommodation and travel.*
- *The value of used points or miles if you booked your flight or accommodation using Avios or a similar promotional scheme'.*

The policy also contains exclusions on cover and further conditions that apply to the claim which I'll refer to below.

I've considered the costs Mr B wants UKI to pay under his claim. I think UKI have now offered a settlement that is fair and reasonable, based on the policy terms and the circumstances of this complaint, for the following reasons.

Exchange rates and inflation

The policy says UKI will not pay for *'Any loss caused by changes in currency exchange rates'*. The policy doesn't provide cover for changes in inflation.

It would be reasonable for UKI to calculate and pay the costs for settlement based on the rate of exchange on the date Mr B paid for the expense. UKI hasn't seen any evidence from Mr B to support the exchange rate he's used for his calculation of costs claimed. So UKI applied the exchange rate it had recorded for the time of the loss and, although that's a less advantageous exchange rate for Mr B, that's reasonable for UKI to do.

Original accommodation

When Mr B left his original accommodation he decided not to pay the last month's rent to the end of April 2020 because he thought he would have problems getting his security deposit refunded. The accommodation provider didn't refund the deposit. Mr B has claimed the cost

of the security deposit. UKI said the loss of the deposit isn't an insured event under the policy terms. I think that's a reasonable conclusion for UKI to make as the policy terms only provide cover for unused accommodation costs, there is no cover for unreturned deposits.

However, UKI have now offered to pay some of the unused cost of the accommodation. UKI know that Mr B didn't actually pay the last month's rent to the end of April 2020. But it says if he had paid, that rent would have been covered under the policy as an unused accommodation cost. UKI has now offered to pay what would have been the rental costs from the date Mr B left the rental accommodation to the end of April 2020.

It think that's a very reasonable offer from UKI. There's no policy cover for the deposit Mr B paid and there's no reasonable basis on which I can say UKI should pay that cost. But UKI's offer is a way to pay Mr B some costs for his unused accommodation in line with the policy terms.

Additional accommodation

Mr B paid the cost of his alternative accommodation in the country's currency which he converted to £235 when claiming.

In 2020 UKI paid the full amount Mr B claimed for this cost when unconverted. UKI paid a different amount in pounds sterling than Mr B had asked for because UKI used a different exchange rate than Mr B used. I've explained above why the exchange rate UKI used was reasonable.

UKI has reasonably settled the claim for the additional accommodation costs.

Unused vehicle hire costs

Mr B claimed the cost of his unused vehicle hire costs from 26 March to 16 April 2020 in the country's currency which he converted to £719 when claiming.

In 2020 UKI paid the full amount Mr B claimed for this cost when unconverted. UKI paid a different amount in pounds sterling than Mr B had asked for because UKI used a different exchange rate than Mr B used. I've explained above why the exchange rate UKI used was reasonable. And UKI has now offered to pay an additional 1p for the costs due to its recalculation.

UKI has reasonably settled the claim for the unused vehicle hire costs.

Miscellaneous costs

There's no policy cover for the miscellaneous costs of travelling to the airport to book a flight, phone charges, labour costs and credit interest charges that Mr B claimed. So even if he had receipts for those costs UKI wouldn't have to pay those costs. And UKI doesn't have to pay Mr B's travel to the capital city as he would have made the journey anyway when flying home.

The miscellaneous costs Mr B claimed aren't usually covered by travel insurance policies and there's no basis on which I can fairly say UKI should reasonably pay those costs.

Additional flight

As Mr B had to return to the UK early and couldn't use his original return ticket the policy covers reasonable costs for additional travel. The policy also covers unused travel costs but the policy says under the curtailment section that UKI won't pay:

'Your unused return travel tickets as a result of cutting short your journey if we have paid to get you home under this section'.

UKI has offered to pay the additional costs incurred for Mr B's return flight home, which will be the difference between the cost of his original return flight and his new return flight costs. I understand that UKI will include in the new flight costs the £98 Mr B initially paid to amend

the date of the original flight which was also cancelled, as well as the £558 for the new flight, which would be reasonable.

But, as is usual in travel insurance policies, this policy contains an exclusion that says UKI won't pay:

'Expenses you can recover from elsewhere'.

So UKI can reasonably require Mr B to show that he was unable to recover his cancelled flight costs from elsewhere. That means UKI can reasonably require Mr B to provide it with evidence that he's attempted but failed to get a refund from his original airline before UKI pay this part of the claim.

In the circumstances I think it's possible that the original airline has a legal obligation to refund the costs of the cancelled flights to Mr B. That's not to say I think it would be reasonable for UKI to expect Mr B to take the original airline to court to get the refund. But Mr B does need to show he's made reasonable attempts to get a refund and there are processes on the Civil Aviation Authority's website that may help him.

Mr B says he's told UKI to get the refund from the original airline on his behalf. But it's Mr B's responsibility to get evidence to support his claim and the policy says that when making a claim UKI can require Mr B to provide:

'any other supporting documents that we reasonably ask for to support your claim'.

Once UKI has seen the relevant evidence from Mr B it should pay the claim for the additional flight costs in line with the policy terms, as it's agreed to do.

Fuel costs and subsistence costs

Mr B claimed £113 for the fuel costs for his family member to collect him from London and return him home. In 2020 UKI paid the £113 Mr B claimed to settle the cost and now says it will pay an additional 11p to pay the cost in line with the amount on the receipts.

Mr B now says he wants UKI to pay the claim for fuel at what he's referred to as the 'government's travel expenses rate'. UKI says the policy is an indemnity policy which reimburses the policyholder's insured financial loss so it will only pay the fuel cost that the receipts evidence. I think that's a reasonable position for UKI to take.

UKI has offered a reasonable settlement of Mr B's claim for fuel costs.

Mr B has also now raised that UKI should pay for food he and his family member had on the journey from London to his home at a rate he says is in line with what he refers to as the 'government subsistence rate'. I don't think the policy covers food costs in these circumstances. Even if it did the policy would only usually provide cover for Mr B's actual food cost, not the cost for someone not insured under the policy.

However, UKI has offered to pay £30 towards those food costs, without having seen evidence of those costs and despite those costs not being covered by the policy. So I think UKI's offer is very fair.

Excess

Mr B isn't happy UKI has deducted £50 excess from the settlement payment. The policy terms say UKI:

'will deduct an excess of £50, with the exception of claims for children travelling with an insured person, where no excess will be payable'.

So UKI acted within the policy terms and reasonably in deducting the £50 excess.

UKI's service

Mr B complained about UKI's delay in dealing with his claim. He also complained that when he spoke to a UKI claim adviser he could hear a young child and television sound in the background.

It's not our statutory role to tell a business how to set up its staff working arrangements, at the time of the Covid-19 pandemic as in this case, or otherwise.

I think the claim could have been handled better by UKI, which it accepts. Considering all the circumstances I think the £100 compensation it paid for Mr and Mrs B's distress and inconvenience due to its service around the claim was fair.

Mr B says he was 'abandoned' abroad in March 2020 by the original airline, the government and UKI. UKI isn't responsible for how the airline or government acted. I've not seen that Mr B has complained to UKI about its assistance at the time when he was abroad so I make no finding on UKI's assistance service to Mr B in this decision. If he wants to pursue that matter he will need to make a separate complaint to UKI and if the parties can't agree he can ultimately make a separate complaint to us.

Putting things right

UKI must pay the new offer it's now made to settle the claim as I've set out above, which is in addition to the settlement it's already paid for the claim.

My final decision

I partly uphold this complaint.

I require U K Insurance Limited to pay the new offer it's now made to settle the claim as I've set out above, which is in addition to the settlement it's already paid for the claim.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B and Mrs B to accept or reject my decision before 11 September 2023.

Nicola Sisk
Ombudsman