

The complaint

Miss H and Miss P complain that Great Lakes Insurance SE has turned down a claim they made on a travel insurance policy.

All references to Great Lakes include the claims handler acting on its behalf.

What happened

Miss H and Miss P took out a single trip 'Extra' travel policy through a broker, which was underwritten by Great Lakes. They'd been abroad and were due to fly back to the UK on 13 March 2022.

However, when Miss H and Miss P reached the airport, they learned that their flight had been cancelled, as the airline's operations had been suspended indefinitely. So they had to purchase new flight tickets in order to return to the UK. They made a claim on their travel insurance policy for the flight costs they'd incurred.

It took Great Lakes over six months to assess and decline Miss H and Miss P's claim. It considered the claim in line with the 'abandonment' provision of the travel delay section of the policy. As abandonment cover only applied to the outward journey, Great Lakes concluded that Miss H and Miss P's claim wasn't covered.

Miss H and Miss P were unhappy with Great Lakes' decision and they asked us to look into their complaint.

Our investigator didn't think that Miss H and Miss P's claim was covered under any section of their travel insurance policy. So he didn't recommend that Great Lakes should pay the claim. However, he didn't think Great Lakes had handled the claim in a fair or timely way. And he thought this had caused Miss H and Miss P some distress and inconvenience. So he recommended that it should pay them £200 compensation.

Great Lakes accepted the investigator's recommendation. But while Miss H and Miss P accepted the investigator's view on compensation, they didn't agree with his finding that it's been fair for Great Lakes to turn down their claim.

I issued a provisional decision on 1 August 2023, which explained the reasons why I didn't think Great Lakes had treated Miss H and Miss P fairly. I said:

'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 Miss H and Miss P's policy and the circumstances of their claim, to decide whether Great Lakes treated them fairly.'

I've first considered the policy terms and conditions, as these form the basis of Great Lakes' contract with Miss H and Miss P. I agree that Miss H and Miss P's claim isn't covered by the cancellation section of the policy. That's because Miss H and Miss P didn't cancel their holiday – they'd travelled as planned and were at the airport, ready to start their homeward

bound flight. And neither do I think their claim is covered by the abandonment provision of the policy. It's clear that abandonment cover only applies to the outbound part of the journey. As I've said, Miss H and Miss P were unable to take their planned return flight back to the UK.

Having considered the policy as a whole, I'm satisfied that there's no section which provides cover for the costs of their new flights. I appreciate that this will come as a disappointment to Miss H and Miss P. But the cost of buying new flights after an airline has cancelled a policyholder's pre-booked flights simply isn't something Great Lakes has chosen to cover. And in my experience, many insurers wouldn't provide cover in these circumstances either. That's because, generally, the airline which cancelled the flights would be responsible for refunding the original flight costs/offering replacement flights.

However, I'm not currently persuaded that Great Lakes has fairly considered whether Miss H and Miss P should be paid travel delay benefit in line with the policy terms. And so I've gone on to explore this further.

Section 11 – Travel delay and abandonment says that Great Lakes provides the following cover:

'This section of the Policy sets out the cover We provide to each Insured Person in total per Insured Journey, up to the sums insured shown in the "Table of Benefits", in the event of Your unavoidable delay in departure of at least 12 hours from Your original scheduled departure time from Your first departure point on Your outward journey or Your last departure point on Your return journey as a result of...

Cancellation by the transport provider of Your scheduled pre-booked international flight, ferry, train or coach.

What is covered

1. Travel delay benefit:

a. For each complete 12 hours of delay; or

b. In the event of 4. (cancellation by the transport provider), corresponding to the delay in departure that You would have experienced had You waited for the earliest replacement travel arrangements offered by Your original transport provider, in the event that You choose to make earlier alternative travel arrangements.'

I've thought about this very carefully. The policy says that Great Lakes will pay delay benefit if a transport provider cancels a flight. In this case, it's acknowledged that the airline cancelled Miss H and Miss P's flight. On the other hand, Miss H and Miss P were able to purchase a new flight for the same day and therefore, they weren't delayed by more than 12 hours. And technically, their cancelled flight was the first leg of their homeward international journey. So on a strict application of the policy terms, their claim isn't covered under the travel delay section of the contract either.

But I can depart from a strict interpretation of the contract terms if I feel their application produces an unfair result. And that's the case here, as I'll explain.

Miss H and Miss P had travelled to the airport to catch their pre-booked flight. They'd made every effort to check-in. Their airline has provided a letter confirming that it cancelled their flight for operational reasons. My understanding from my own research is that the airline's flights were suspended indefinitely by the regulator for safety reasons. The suspension appears to have been lifted on 17 March 2022 – five days after the initial grounding. As such, it seems that if Miss H and Miss P hadn't arranged new flights at their own expense, the original airline wouldn't have been in a position to rearrange flights for them within 12

hours. It appears that the original airline couldn't have looked into rearranging the flight until 17 March 2022 at the earliest. And therefore, Miss H and Miss P could have been delayed abroad for substantially longer than they actually were. I'd add too that I think it's fair to treat the cancelled flight as Miss H and Miss P's final departure point, because effectively, it was the start of their return journey, even if that journey was broken down into connecting flights.

The policy states that 'Extra' cover pays £50 for each 12-hour period of delay, up to a maximum of £400. That's equal to four full days of delay. As I've set out above, the policy says that Great Lakes will pay benefit corresponding to the delay a policyholder would have experienced if they waited for their original transport provider to rearrange flights. I've taken into account the grounding of the airline's fleet until 17 March 2022. This was four days after the flight had been cancelled. On that basis, I think the fair outcome here is for Great Lakes to calculate and pay delay benefit for a full four day period, as that's the earliest point I think the original airline would likely have been able to rearrange flights for Miss H and Miss P. That's equal to the maximum delay benefit of £400 per person.

So I currently plan to direct Great Lakes to pay Miss H and Miss P delay benefit for a full four-day period, in line with the policy terms.

Great Lakes accepts that there were delays in its assessment of Miss H and Miss P's claim. It's now agreed to pay them £200 compensation to reflect the distress and inconvenience this caused them and Miss H and Miss P have accepted this award too. On that basis, I don't think I need to make any further finding on this point and I also intend to direct Great Lakes to pay Miss H and Miss P £200 compensation.'

I asked both parties to send me any further evidence or comments they wanted me to consider.

Great Lakes accepted my provisional findings. Miss H and Miss P queried whether I intended to award £200 compensation per person, or £200 in total.

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, as neither party has made any substantive additional comments or provided new evidence, I see no reason to change my provisional findings.

Miss H and Miss P queried the amount of compensation I intended to direct Great Lakes to pay. I can confirm that in my view, total compensation of £200 is fair and reasonable for the delays in Great Lakes' assessment of the claim. And so, in addition to the award for travel delay benefit, I'm directing Great Lakes to pay a total award of £200 compensation to Miss H and Miss P – effectively £100 compensation per person.

Overall, my final decision is the same as my provisional decision and for the same reasons,

My final decision

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

I direct Great Lakes Insurance SE to pay Miss H and Miss P delay benefit for four full days, in line with the remaining terms and conditions of the policy.

I also direct Great Lakes to pay Miss H and Miss P £200 compensation in total.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss H and Miss P to accept or reject my decision before 9 October 2023.

Lisa Barham
Ombudsman