

The complaint

Mr and Mrs V complain about the sale of a travel insurance policy by Allclear Insurance Services Ltd.

What happened

Mr and Mrs V took out an annual travel insurance policy through Allclear. When taking out the policy, Mr V declared his medical conditions and paid an additional premium to have cover for these. He also asked Allclear what might happen if his health deteriorated. Allclear advised him that he may need to pay an additional premium. Mr and Mrs V then booked a trip.

Before Mr and Mrs V went abroad, Mr V called Allclear to let it know there'd been a change to his health. Allclear said the insurer wasn't willing to offer cover for Mr V, as the increase to the premium exceeded its risk threshold. Allclear offered Mr V a partial refund.

Mr V complained to Allclear and said he and his wife wouldn't have booked their trip if they'd known there was a possibility that cover could be withdrawn.

Mr V attempted to obtain cover elsewhere, but couldn't do so. Allclear then arranged a single trip policy for Mr V with the same insurer, and covered the additional cost of this. Mrs V remained insured on the annual policy. Mr and Mrs V were therefore able to go on their trip, but were still unhappy that Allclear had given them the wrong information when the policy was taken out. They said this had caused them a lot of distress and inconvenience. They brought a complaint to this Service on that basis.

Our investigator didn't recommend the complaint be upheld. She accepted Allclear had given Mr and Mrs V the wrong information. However, as Allclear had paid the additional cost for Mr V's single trip policy, she thought this was sufficient compensation for its error.

I issued a provisional decision on 4 October 2023. Here's what I said:

'As our investigator has explained, it was the insurer's decision not to cover Mr V after the premium exceeded its threshold. Although Mr and Mrs V were disappointed with this, that was a commercial decision the insurer was entitled to make.'

This Service has an established approach when an insurer withdraws travel insurance cover due to a change in health. We say the insurer should offer to cover the cost of cancelling the trip (regardless of whether this is medically necessary). Or, if alternative cover is taken out so the insured can still travel, the insurer should pay for any difference in premium (up to the amount it would have paid for cancellation).

Allclear says its usual response when cover is withdrawn by the insurer is to offer an enhanced refund (presumably on behalf of the insurer), and this is what it did for Mr V initially. But this isn't in line with good industry practice or the approach of this Service that I've set out above.

Allclear did later agree to cover the additional cost of a single trip policy for Mr V, rather than the insurer. That was up to Allclear. But this simply places Mr and Mrs V in the same position this Service would expect where cover has been withdrawn due to there being a change in health. It doesn't take into account any errors made by Allclear. I've therefore considered this.

It's not in dispute that Allclear gave Mr and Mrs V the wrong information. After Mr V declared his medical conditions and was accepted for cover, he asked Allclear what might happen if his health deteriorated. He was told that if he was well enough to travel then a higher premium might need to be paid, but Allclear didn't say there was a possibility the cover could be withdrawn.

I don't know for certain that Mr and Mrs V would have done anything different if they'd known there was a possibility Mr V's cover could have been withdrawn. Though even if I accepted Mr and Mrs V wouldn't have booked their trip (or gone to a closer destination), the fact remains that they did still go on their original trip. And they didn't have to pay for the additional cost of alternative cover, which as I've explained, is what this Service would expect in these circumstances.

However, I do think Mr and Mrs V were caused unnecessary upset by the matter. This all happened a few days before Mr and Mrs V were due to travel. They looked into cancelling their trip, but were told this was non-refundable. So they felt they had to continue with their trip. They then tried to obtain alternative cover for Mr V with other insurers, but couldn't do so because of his health.

Allclear only offered Mr V a single trip policy and confirmed it would cover the additional cost of this the day before he and his wife were due to travel, and cover could only be put in place the day of departure. I think this would have caused Mr and Mrs V distress and inconvenience, and I note they told Allclear they had been considering returning home because of this.

Taking all of the above into account, I intend to require Allclear to pay Mr and Mrs V £500 compensation for the impact caused to them.

Mr and Mrs V make the point that they'd paid for an annual policy, but Mr V ended up with single trip cover (with less benefits than the initial policy). However, that was the only cover that was available to him, given the change to his health. As I've said, when there's been a change of health, I'd expect an insurer to cover the cost of cancelling a booked trip, or the cost of alternative cover allowing the insured to travel. Although Allclear did this instead of the insurer, the outcome was still the same and Mr V was able to travel. I'm satisfied this was reasonable.'

I asked both parties for any further comments they wished to make before I made my final decision.

Mr and Mrs V responded to say that, whilst the level of compensation was lower than they thought appropriate, they would accept my decision.

Allclear didn't respond by the deadline given.

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.

Though as neither party has provided any further comments for me to consider, I'm satisfied this complaint should be upheld, and for the same reasons as set out in my provisional decision.

My final decision

My final decision is that I uphold this complaint. I require Allclear Insurance Services Ltd to pay Mr and Mrs V total compensation of £500.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs V and Mr V to accept or reject my decision before 15 November 2023.

Chantelle Hurn-Ryan
Ombudsman