

The complaint

Mr S complains AWP P&C SA has not settled his holiday cancellation claim in full.

What happened

Mr S has a packaged bank account which provides a travel insurance policy, underwritten by AWP. He booked and paid for a holiday to travel abroad in May 2023 with his mother. But shortly before they were due to travel, Mr S's mother suffered an injury and the holiday was cancelled.

A claim was submitted to AWP for the full cost of the holiday. However when AWP settled the claim, it paid half of the holiday costs, as it said Mr S's mother was not covered under the policy.

The policy terms in respect of cancellation are as follows

"We will pay you up to £5,000... for any irrecoverable unused travel and accommodation costs... which you have paid or are contracted to pay together with any reasonable additional travel expenses, due to any of the following necessary and unavoidable events:

The death, bodily injury or illness of:

You;

Any person with whom you are travelling or have arranged to travel with;..."

Mr S complained. He said he'd paid for the holiday for himself and his mother. And he asked that AWP pay the claim in full. AWP responded to the complaint and said it thought it had been correct to divide the holiday cost in two and had paid Mr S's proportion of the costs only.

Unhappy with the response, Mr S brought his complaint to this service.

An investigator here looked into what had happened and said they didn't think AWP had settled the claim fairly.

Mr S accepted the investigator's view. However AWP disagreed. It said the policy terms did not provide for circumstances where a holiday had been paid for as a gift. And it asked for a final decision from an ombudsman.

So, the case has 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.

The relevant industry rules say an insurer must handle claims promptly and fairly and shouldn't unreasonably reject a claim.

Having considered the rules alongside the policy terms and conditions and the evidence available, I don't think AWP has acted fairly. And I will explain why.

Firstly I should say the circumstances that led to the claim are not in dispute. AWP has accepted Mr S has a valid cancellation claim. The issue is that AWP has paid the claim based on half of the total cost of the holiday, and Mr S thinks this is unfair. So that is the issue I've focussed on in this decision.

AWP says Mr S's mother is not covered under this policy. Whilst I don't dispute that, I don't think it makes a difference here. And I say that because Mr S is not looking to claim for a loss his mother had. He is insured and his claim is for his own loss, as he paid the full cost of the holiday.

The policy terms set out the cancellation cover is for irrecoverable and unused travel and accommodation expenses "*which you have paid or are contracted to pay*".

AWP says this refers to those insured on the policy only. And has said the policy doesn't provide cover where a policy has been paid for as a gift for a person not insured on the policy. However I don't think the terms are clear that only the insured person's proportion of the costs are covered, even when the insured paid for the entire holiday as a gift. And AWP hasn't pointed to any terms in the policy which make that clear.

I'm satisfied by the evidence I've seen, that Mr S has demonstrated the costs of the holiday were irrecoverable, and that he paid for the holiday in full for himself and his mother. He has also confirmed that his mother had her own travel insurance, but has been unable to make a cancellation claim, as she didn't suffer a financial loss, due to the holiday having been bought for her as a gift.

The policy terms say there is cover for the insured's costs and in these particular circumstances, I'm satisfied the insured's costs were the total cost of the holiday booking. So I think AWP's settlement of around half of the claim only, was unfair. And it should pay the remainder of the loss.

My final decision

For the reasons I've given, it's my final decision that I uphold this complaint and direct AWP P&C SA to pay the remainder of the claim. It must pay interest on the additional amount at 8% a year simple, from the date of the original settlement to the date of payment.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 20 March 2024.

Gemma Warner
Ombudsman