

The complaint

Mrs G complains about Great Lakes Insurance SE's actions when she told it about a change in health under her travel insurance policy.

All references to Great Lakes include the agents appointed to handle claims and complaints on its behalf.

What happened

Mrs G took out an annual travel insurance policy provided by Great Lakes, declaring a number of medical conditions and paying a premium of £1,151.99.

A few months later, Mrs G declared a new medical condition to Great Lakes as well as another medical diagnosis which required further investigations. After some confusion surrounding what medical conditions Great Lakes would cover and whether it required an additional premium, Great Lakes offered Mrs G the following options:

- to cancel an upcoming holiday and submit a cancellation claim;
- to cancel the policy and receive a pro-rata refund of the premium paid;
- to keep the policy but travel without cover for anything related to either medical condition.

Great Lakes also said, if Mrs G could find alternative travel insurance elsewhere, she could submit a claim for the cost of a new single-trip policy up to the value of what a holiday cancellation claim would have been, but that a policy excess would be applicable.

Mrs G subsequently paid £1,472.49 for an alternative single-trip travel insurance policy. Mrs G said she wanted a full refund of the premium of £1,151.99 which she'd paid for the original annual policy, but Great Lakes said it would only provide a pro-rata refund of £805.06 from the date it had been notified of the changes in Mrs G's health.

Unhappy, Mrs G brought the matter to the attention of our service.

One of our investigators looked into what had happened and said she thought it would be fair and reasonable in the circumstances for Great Lakes to refund Mrs G for the cost of her new single-trip policy up the value of what a cancellation claim for her pre-booked holiday would have been, without deducting an excess.

Mrs G agreed with our investigator's opinion, but Great Lakes didn't accept the investigator's findings about the application of an excess. As no resolution was reached, Mrs G's complaint has now been referred to me as the final stage in our process.

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.

I've taken into account relevant regulatory rules and what I consider to be good industry practice when making my final decision about Mrs G's complaint.

Mrs G's policy, like most - if not all - travel insurance policies on the market, allows Great Lakes to amend or withdraw cover under the policy in certain circumstances if a policyholder experiences a change in their health during the term of the contract.

The terms and conditions of Mrs G's policy, at page 4, set out a number of things which might happen if a policyholder declares a change in health to Great Lakes after purchasing the policy, as Mrs G did here. One of these is that the policyholder can make a cancellation claim for any pre-booked trips under Section 1. The policy is silent on what happens if a policyholder chooses not to cancel any pre-booked holidays and obtains single-trip travel insurance cover elsewhere instead.

It's not in dispute that it would be fair and reasonable in the circumstances for Great Lakes to pay for the cost of Mrs G's new single-trip travel insurance policy. This is in line with our service's longstanding, published approach to complaints of this nature. What is in dispute is whether it's fair and reasonable in the circumstances for Great Lakes to apply an excess to the payment to be made to Mrs G. I don't think it is, and I'll explain why.

If Mrs G had cancelled her trip and made a claim for her irrecoverable travel costs then there's no doubt that Great Lakes would be entitled to deduct an excess from any cancellation claim payment due to her. But that's not what happened. Mrs G didn't wish to cancel her trip and instead purchased a single-trip travel insurance policy so she could continue with her holiday plans.

Great Lakes, by covering the cost of Mrs G's new insurance, isn't paying a cancellation – or any other - claim under the terms and conditions of her annual travel insurance policy. I don't agree with Great Lakes' stance that paying for Mrs G's new policy clearly constitutes a claim, as there's no section of Mrs G's annual policy which provides cover for the cost of new travel insurance if the existing policy is withdrawn by Great Lakes. Instead, I think Great Lakes is paying for Mrs G's new policy in lieu of what its exposure to a cancellation claim under the policy would otherwise have been.

I've seen evidence that Mrs G's trip cost a total of £7,998. I've enclosed a copy of this evidence with my final decision for Great Lakes to see. I've also seen confirmation that Mrs G's new single trip policy cost £1,472.49. I've also enclosed evidence of this with my final decision for Great Lakes to see. Based on the evidence available to me, I'm satisfied that Great Lakes' financial liability is likely to have been significantly greater if Mrs G had chosen to cancel her trip instead of seeking new insurance cover elsewhere. In these circumstances, I don't think it's fair or reasonable for Great Lakes to seek to reduce its financial exposure even further by attempting to apply an excess of £65 to a payment which is being made in lieu of a cancellation claim.

I understand that Great Lakes, when communicating with Mrs G about this matter, told her it would apply an excess. But it doesn't automatically follow that it's fair and reasonable for Great Lakes to do so. And I also don't think the fact that Mrs G didn't purchase an excess waiver means it's fair and reasonable for Great Lakes to apply an excess, when I don't think Mrs G is making a claim under the terms and conditions of the annual insurance policy.

Overall, based on the individual circumstances of this case, I'm satisfied that it would be fair and reasonable for Great Lakes to refund Mrs G the premium she paid for the single-trip insurance policy without deducting an excess.

For the avoidance of doubt, Mrs G isn't also entitled to a refund of any of the premium she paid to Great Lakes for the annual insurance policy. Mrs G had the benefit of cover under the original policy from the date of purchase until the date she notified Great Lakes about her changes in health regardless of whether or not any claims were made, and the premium Mrs G paid to Great Lakes is the minimum amount of money she'd always need to have paid to secure insurance cover for her trip.

Putting things right

Great Lakes Insurance SE must put things right by refunding Mrs G for the cost of her single-trip travel insurance policy, together with interest at 8% simple per annum from the date Mrs G bought the single-trip policy until the date the settlement is paid¹.

My final decision

My final decision is that I uphold Mrs G's complaint against Great Lakes Insurance SE and I direct it to put things right in the way I've outlined above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs G to accept or reject my decision before 15 January 2024.

Leah Nagle
Ombudsman

¹ If Great Lakes Insurance SE considers that it's required by HM Revenue & Customs to deduct income tax from that interest, it should tell Mrs G how much it has taken off. It should also give Mrs G a tax deduction certificate if she asks for one, so she can reclaim the tax from HM Revenue & Customs if appropriate.