

The complaint

Mrs and Mr R complain about Great Lakes Insurance UK Limited's settlement of their travel insurance claim. My references to Great Lakes include its agents.

What happened

Mrs and Mr R had annual multi-trip travel insurance. Great Lakes was the insurer for the relevant parts of the policy.

Mrs and Mr R, their son and daughter-in-law were due to go on holiday abroad to celebrate their son's significant birthday. Their flight was cancelled by the airline at very short notice. They tried to book alternative flights without success so they had to cancel the holiday. Mrs and Mr R made a claim for the lost accommodation costs. They'd paid for their room and also their son and daughter-in-law's room as a gift to him for his birthday.

Great Lakes initially declined the claim. Mrs and Mr R complained and on reassessment Great Lakes accepted the claim but it only paid half the costs claimed, less the applicable excess. It said only Mrs and Mr R were insured on the policy so, although they'd paid for their son and daughter-in-law's accommodation, the policy only covered Mrs and Mr R's portion of the costs. Great Lakes suggested Mrs and Mr R's son and daughter-in-law claim for their accommodation cost on their own travel insurance.

Mrs and Mr R complained to us. In summary, they said their son couldn't claim for the cost of the accommodation as he hadn't paid the cost and they thought Great Lakes had dealt with their claim very poorly. They want Great Lakes to pay the balance of their claim. They'd also like some compensation for their stress and inconvenience in pursuing the complaint due to Great Lakes' poor customer service.

Our Investigator said Great Lakes had unreasonably settled the claim and it should pay Mrs and Mr R the remaining costs, plus interest.

Great Lakes disagrees and wants an ombudsman's decision. It said it appreciated the accommodation cost was gifted by Mrs and Mr R to their son. But it referred to the policy definition for '*Insured person/you/your/yourself*' which it said meant there was only cover for Mrs and Mr R's portion of the costs.

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.

The 'Travel Delay' section of the policy says:

'What is covered:

We pay up to the amount shown in the table of benefits for the purchased level of cover if the intended departure of your first outward...flight...is delayed as a direct result of strike or industrial action, adverse weather conditions, failure of air traffic control systems, or mechanical breakdown of aircraft, sea vessel, coach or train. Alternatively you can choose to abandon your trip and submit a Cancellation claim under Section 1, should you experience a delay as specified above, of more than 12 hours beyond the intended departure time'.

Mrs and Mr R didn't check-in at the airport, as one of the special conditions of the 'Travel Delay' section required. So under the strict interpretation of the policy terms the claim wasn't covered.

However, the airline had cancelled Mrs and Mr R's flight at 1.46am on the morning of the flight and they only found out when they arrived at the airport to find their 4.25am check-in cancelled. So Great Lakes ultimately agreed to accept the claim as Mrs and Mr R could have abandoned the trip after 12 hours of delay, and it acknowledged they had tried to make alternative flight arrangements but couldn't. It was fair and reasonable for Great Lakes to agree to cover the claim under these circumstances, and in line with what I would have required it to do in these circumstances.

I've considered the policy terms under the 'Cancellation' of the policy see to whether Great Lakes' settlement is reasonable. The policy says:

'What is covered:

We will pay up to the amount shown in the table of benefits per insured person for your non-refundable deposits and amounts you have paid (or you are contracted to pay), for your travel and accommodation (including pre-paid excursions)'.

So the policy covers non-refundable '*amounts you have paid*' for accommodation. The policy terms don't say what happens if a policyholder has paid on behalf of someone else. Mrs and Mr R have said they paid for their son and daughter-in-law's accommodation as a gift for his birthday and they haven't received any contribution from them. The bookings were in Mrs and Mr R's name and they paid for the accommodation. I'm satisfied, and Great Lakes has accepted, that Mrs and Mr R gifted the cost of the accommodation to their son.

Great Lakes has referred to the policy definition of '*Insured person/your/yourself*' which is '*Each person named on the Schedule, and for whom the required premium has been paid*'. Great Lakes says as only Mrs and Mr R are named on the schedule the cover for '*your travel and accommodation*' means there's only cover for Mrs and Mr R's portion of the costs.

But I don't think the policy wording is clear enough that only Mrs and Mr R's proportion of the costs are covered even if they paid for the entire holiday cost as a gift. The policy says amounts Mrs and Mr R have paid for non-refundable accommodation are covered. I'm satisfied that the amount they paid was the total cost of the booking including the cost of the gift of accommodation to their son, so that's the amount covered by the policy.

As to Great Lakes' service, I think its initial letter declining the claim wasn't well explained to Mrs and Mr R. But I think Great Lakes acted reasonably in accepting the claim even though the claim wasn't covered by a strict interpretation of the policy terms. And although Mrs and Mr R had to complain about the settlement I don't generally award compensation for a consumer's distress and inconvenience just because they had to complain to us, and I don't think there's any reason to do so in this case.

Great Lakes should put things right as I've detailed below.

Putting things right

Great Lakes must pay the balance of Mrs and Mr R's claim plus interest as I've detailed below.

My final decision

I uphold this complaint.

I require Great Lakes Insurance UK Limited to pay the balance of Mrs and Mr R's claim plus interest* at 8% simple a year from the date of the original settlement until the date the balance is settled.

*If Great Lakes Insurance UK Limited considers that it's required by HM Revenue & Customs to take off income tax from that interest it should tell Mrs and Mr R how much it's taken off. It should also give Mrs and Mr R a certificate showing this if they ask for one, so they can reclaim the tax from HM Revenue & Customs if appropriate.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs R and Mr R to accept or reject my decision before 8 March 2024.

Nicola Sisk
Ombudsman