

The complaint

Mr and Mrs R are unhappy that Astrenska Insurance Limited trading as Collinson Insurance (Astrenska) cancelled their policy following a change in health and refunded only 25% of the policy premium.

Any reference to Astrenska includes all its agents.

What happened

Mr and Mrs R took out an annual multi-trip travel insurance policy which started on 12 July 2023. Astrenska was the underwriter on the policy.

In November 2023, Mr R had a routine blood test which indicated a growth in his bladder. Following a scan, in December 2023, Mr R had a biopsy. On 11 January 2024, he saw his doctor who informed him that the growth was cancerous. It was completely removed, and Mr R had chemotherapy to ensure all the abnormal cells had been removed. He was told no further treatment was required but regular check-ups would be scheduled. He was given the go-ahead to travel on their pre-booked holiday for March 2024.

Mr and Mrs R updated Astrenska as agreed. It cancelled his policy and said a refund would be provided in line with the unused portion of the policy. Astrenska refunded 25% of the policy premium and a further £25 compensation was paid due to the delay in making the payment.

Mr and Mrs R said they should have been refunded 50% of their premium as there were six months still left on the policy and the decision to cancel the policy was unfair. They say they're out of pocket as they had to take out a single trip travel policy for a holiday that was booked for March 2024 and for which they would have been covered had the policy not been cancelled. And they had to take out another policy for a holiday they'd booked for July 2024. They made a complaint to Astrenska.

Astrenska issued a final response. It said it was entitled to discontinue the policy when there were changes to the health of a policyholder. This was based on a sliding scale as per the terms and conditions of Mr and Mrs R's policy. It refunded £163.92 which was 25% of the premium they'd paid for the policy. It also paid Mr and Mrs R £25 compensation for the delay in making the payment.

Unhappy with Astrenska's response, Mr and Mrs R brought their complaint to this service. Our investigator upheld the complaint. She thought it was reasonable for Astrenska not to provide cover based on Mr R's change of health and the underwriting evidence.

But where an insurer is unable to continue cover, it should offer the consumer the option to cancel any trips that had been pre-booked and to claim for any cancellation charges as a result. Our investigator said Astrenska didn't offer this to Mr and Mrs R. They had to purchase a separate policy to cover this trip. So, she recommended that Astrenska pay the difference between the cost of the new travel policy and the refund that had already been paid to Mr and Mrs R and add 8% simple interest per annum. She also recommended that

Astrenska pay Mr and Mrs R £200 compensation for the avoidable upset caused to them as it should have explained to Mr and Mrs R the option of cancelling their planned trip.

Astrenska said it accepted that it should cover the cost of the replacement policy and pay the interest. But the £200 compensation recommended was unfairly high, for the lack of acknowledgement to Mr and Mrs R of their rights, to make a cancellation claim. Astrenska asked for the complaint to be referred to an ombudsman. So, it's been passed to me.

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 insurance industry regulator, the Financial Conduct Authority ('FCA'), has set out rules and guidance for insurers in the 'Insurance: Conduct of Business Sourcebook' ('ICOBS').

ICOBS says that insurers should act honestly, fairly and professionally in accordance with the best interests of their customers.

Firstly, I confirm that I'm satisfied with the underwriting information Astrenska has provided regarding cancelling the policy. Based on Mr R's change in health, Astrenska has shown that cancelling the policy was the appropriate action to take. Whilst I can't tell an insurer what cover to provide and what risks to accept on the policy, the information it's provided shows it didn't treat Mr R unfairly when it cancelled the policy.

Additionally, Astrenska has shown when it is unable to continue cover on a policy, the unused premium will be calculated on a sliding scale basis. This information is in Mr and Mrs R's policy terms and conditions. For annual multi-trip policies, a refund of 25% of the total premium would be provided to the policyholder if a policy had six months left before it was cancelled. So, whilst Mr and Mrs R believe they should receive 50% as the premium refund, I don't agree. Based on the terms of the policy, I'm satisfied Astrenska acted in line with this and therefore 25% would be the applicable and fair refund of the premium.

Astrenska said it accepts that it should cover the cost of the replacement policy. But it disputes the £200 compensation recommended by our investigator. The key issue therefore for me to decide is whether I think £200 is fair and reasonable compensation for the distress and inconvenience caused to Mr and Mrs R.

Having carefully considered everything, I'm satisfied that £200 total compensation is fair and reasonable for what happened. I'll explain why.

Astrenska acknowledged it missed the opportunity to inform Mr and Mrs R they could submit a cancellation claim for the trip they were no longer covered for. But it didn't agree with the investigator's proposed recommendation to resolve the complaint. It said it offered Mr and Mrs R the option of taking out another policy on a trip-by-trip basis. Mr and Mrs R were happy to shop around for another policy and they weren't looking to claim for the cancellation cost of their trip. They were also able to find a suitable alternative policy elsewhere, so this was only a minor inconvenience to them.

I appreciate Astrenska's comments on the compensation. Astrenska was expected to inform Mr and Mrs R of the options they had because of their policy being cancelled. As it didn't do this, when looking at whether the compensation is fair, I have to think about the overall impact on Mr and Mrs R.

Astrenska says Mr R hadn't asked about cancelling the trip. But I note he was clearly

unaware of his right to do so, and the onus would always have been on Astrenska to provide the options. I do understand that Mr R was offered a new single trip policy by Astrenska but I don't think it went far enough in explaining his other options. I do accept it's difficult to know for certain what Mr and Mrs R would have done had they been provided with the correct choices at the outset. And whilst I understand, Mr and Mrs R took an alternative policy with a different provider, it's unreasonable to say they had suffered only minor inconvenience.

When the policy was cancelled, in the absence of any other alternatives, Mr and Mrs R's priority was to obtain new insurance for the trip that was pre-booked and which would have otherwise been covered. They weren't aware they could cancel their trip. The crux of the matter is about whether Astrenska treated Mr and Mrs R fairly by providing them with the options when the policy was cancelled.

I don't agree that this was a minor inconvenience to them. Mr R had a change in health that was already distressing for them at the time. Both Mr and Mrs R would have been in a vulnerable situation and going through a challenging time because of Mr R's health scare. They then had a holiday that had been pre-booked, and they had to decide how to proceed. They did the right thing by contacting Astrenska and keeping it updated. And in not providing them with the correct options, Mr and Mrs R suffered distress and inconvenience that I don't think was minor. They were left in a position where, as far as they were aware, they had to find alternative insurance for a holiday they'd pre-booked.

Whilst I understand Astrenska has accepted the proposed resolution recommended by our investigator to pay the difference in the cost of the premium refund and the new policy, I don't think this goes far enough. Had Astrenska correctly given the options available to Mr and Mrs R at the outset, the overall distress and inconvenience to them could have been avoided. I'm therefore satisfied that £200 is fair and reasonable in the circumstances of what happened here.

Overall, therefore, Astrenska should settle the complaint as set out in the putting things right section below.

Putting things right

I require Astrenska Insurance Limited trading as Collinson Insurance to put things right by paying Mr and Mrs R:

- The difference between the cost of the new insurance policy for their March 2024 trip (including any arrangement fees), and the refund already paid on their cancelled policy.
- *Add 8% simple interest per annum on the above amount from the date the refund had been paid until the date of settlement.
- A total of £200 compensation for the avoidable distress and inconvenience caused to Mr and Mrs R. I note Astrenska has already paid £25 to them so it should now arrange to pay the remaining £175.

It must do this within 28 days of the date on which we tell it Mr and Mrs R accept my final decision. If it takes longer, Astrenska must give Mr and Mrs R a meaningful update setting out the timeframe when it will settle the claim.

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

My final decision

For the reasons given above, I uphold Mr and Mrs R's complaint about Astrenska Insurance Limited trading as Collinson Insurance.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr and Mrs R to accept or reject my decision before 21 October 2024.

Nimisha Radia
Ombudsman