

The complaint

Mr A and Ms B complain about Aviva Insurance Limited's settlement and handling of their travel insurance claim.

My references to Aviva include its claim handler agent.

What happened

Mr A and Ms B had travel insurance insured by Aviva. They claimed on the policy because after they flew from Heathrow to South America for a cruise their cruise was cancelled.

Mr A and Ms B complained to us that Aviva had twice wrongly rejected their claim in full. Its rejection letter said their circumstances weren't one of the insured events listed at clauses 1 to 6 in the policy terms, but Aviva failed to mention the insured events listed at clauses 7 to 11 and their situation was covered by clause 7. When they complained Aviva upheld the complaint and paid some of their costs but it hadn't paid all the costs which were due.

After Mr A and Ms B complained to us Aviva paid more of the costs they had claimed but not the cost of their outbound flight from the UK to South America. Aviva accepted it had delayed in finalising the settlement due to it 'potentially misunderstanding' the circumstances of the claim. It paid Mr A and Ms B £100 compensation for its poor service.

Mr A and Ms B are still very unhappy about how Aviva handled their claim and they want their outbound flight paid. In summary they said Aviva had called Ms B while she was at work several times despite them telling Aviva that telephoning them Monday to Friday 09.00 to 18.00 wasn't convenient. Aviva delayed in requesting additional information which it should have sought direct and it paid the costs due over months as it assessed each part of the claim. £100 compensation wasn't enough to acknowledge their stress and anxiety caused by Aviva initially telling them the claim wasn't covered then the five months it took to properly assess and pay for the claim.

Our Investigator said Aviva had reasonably not paid the cost of the outbound flight. She recommended Aviva pay Mr A and Ms B an additional £100 compensation for their distress and inconvenience due to its poor claim handling, so £200 in total.

Aviva accepted our Investigator's recommendation. Mr A and Ms B didn't accept and want an Ombudsman's decision. They said £200 compensation, an increase from 1% to 2% of the value of their claim, wasn't enough for their stress and anxiety due to Aviva's 'completely unprofessional if not duplicitous' mishandling of their claim and wasn't an adequate penalty for Aviva's behaviour.

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 (or settle) claims unreasonably.

I need to make a decision on the issues from Mr A and Ms B's complaint that remain unresolved – whether Aviva should pay the cost of the outbound flight from the UK to South America and whether Aviva's new offer of £200 compensation for Mr A and Ms B's distress and inconvenience is reasonable.

The relevant section of the policy, under which Aviva ultimately assessed the claim, is 'cancelling or coming home early' which says:

"What we'll cover

If you need to cancel your trip or come home early due to an event below happening, we will pay for unrecoverable costs that each insured person has paid or legally has to pay for their own unused (my emphasis) personal travel and accommodation".

Unfortunately Mr A and Ms B's holiday didn't happen as it should have once they landed in South America. But as they used their outbound flight from the UK that flight isn't covered by the policy terms as it's not an unused travel cost. I don't think it would be reasonable for me to require Aviva to pay that cost as they had use of the flight.

Aviva didn't handle Mr A and Ms B's claim promptly or fairly, which it accepts. It seems to have misunderstood the claim and the cover the policy provided which meant it wrongly declined the claim. It called Ms B at work when she'd told it not to. It's for Mr A and Ms B to provide evidence in support of their claim, not for Aviva to obtain the evidence direct from different providers. But Aviva made numerous requests for information which delayed matters and meant it reassessed and paid different parts of the costs covered over several months. It took five months from date of claim to Aviva's final payment.

I understand why Mr A and Ms B are frustrated and upset but I've seen no evidence that Aviva's claim handling was 'duplicious', as they suggest. Aviva gave poor service and its avoidable delays caused Mr A and Ms B unnecessary stress and upset so it's fair that I award compensation. I don't award compensation as a penalty against a business and the amount of compensation isn't calculated on the value of the claim. Compensation is to acknowledge a consumer's unnecessary distress and inconvenience caused by the error/s by the business.

Overall I think Aviva's new offer to pay Mr A and Ms B £200 compensation in total to recognise their distress and inconvenience is a reasonable amount. It made several errors over a few months which required a reasonable effort for Mr A and Mr B to sort out. Aviva has already paid £100 compensation so it will now need to pay another £100.

My final decision

I partly uphold this complaint. I require Aviva Insurance Limited to pay Mr A and Ms B another £100 compensation, so that it pays £200 compensation in total, for their distress and inconvenience caused by its poor claim handling.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr A and Ms B to accept or reject my decision before 6 January 2025.

Nicola Sisk

Ombudsman