

The complaint

Miss A complains Zurich Insurance Company Limited unfairly declined a claim she made on her travel insurance policy. She also said it acted unfairly in cancelling the policy for what it said was a breach of its fraud term.

What happened

Miss A returned from a trip in September 2023 but her checked in luggage didn't arrive with her. She says it was three weeks before her luggage was returned. Once it had arrived Miss A made a claim for items she said had been taken from the bag, including around \$10,000 worth of designer clothing and accessories.

Miss A separately complained to the airline who issued a compensation payment.

Zurich carried out some enquiries in relation to the claim and it ultimately decided to decline it. It said the invoice provided in support of Miss A's claim of her purchase of luxury goods at \$10,000 wasn't considered to be credible. It referred to its fraud term of the policy and said whilst it considered other items had been substantiated, such as a golf watch, given its concerns over the claim it would be cancelling the policy as of 13 October 2023 and not paying any of the claim.

Miss A complained about Zurich's decision, but it didn't agree to alter its position. And so Miss A brought her complaint to the Financial Ombudsman Service for an independent review.

Our Investigator said it wasn't for this Service to decide if Miss A had acted fraudulently in making her claim, as that is a matter for a court to decide. However, she didn't think Zurich had acted unreasonably in declining the claim based on the concerns it had. So she didn't recommend Zurich pay any of the claim and she felt it was reasonable, in line with the policy terms, to cancel the insurance.

Miss A didn't accept that outcome. She said Zurich can't have shown beyond reasonable doubt that she had defrauded (or attempted to defraud) it. She asked for an Ombudsman to consider matters and so it has come 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.

As this is an informal Service, I haven't responded to every point made or piece of evidence referred to by the parties. Instead, I'll focus on those that are key to the outcome reached.

As set out by our Investigator, we are not a court, and as such we don't make findings on whether a policyholder has or has not acted fraudulently. It is our role to decide if Zurich applied its policy terms fairly and based on a reasonable investigation of concerns. This Service also doesn't employ the same criminal standard of a court – which is beyond all reasonable doubt. We look at what is most likely to have happened, on the balance of probabilities.

The terms of Miss A's policy say:

“If you make a fraudulent claim under this insurance contract, we:

- Are not liable to pay the claim*
- May by notice to you treat the contract as having been terminated with effect from the time of the fraudulent act.”*

Zurich had concerns about the invoice Miss A provided in support of her claim for items lost totalling around £10,000. The business name on the invoice didn't seem to exist, although a business with a similar name did. Miss A confirmed the business name found by Zurich was the one she'd purchased her items from, and that it was run by her friend. Zurich was also concerned that the address noted on the invoice appeared to not exist, it also said the invoice didn't have VAT on it, which it considered to be unusual. It further said the invoice was in dollars, which wasn't the usual currency of the country she'd purchased the items in.

Zurich asked Miss A for evidence she paid \$10,000 for the items. Miss A wasn't able to do so, she said this was done in cash, but couldn't show any corresponding withdrawals from her bank account. She said this was because she was partly paid in cash, and she was also given cash for a recent birthday. She said it was common for VAT not to be present on invoices in the country where she made her purchases. In relation to the address on the invoice, she said she didn't know where that was, and her friend (and owner of the business) had brought the items to where she was staying. When asked by this Service, she wasn't able to provide any copies of text messages or emails confirming any arrangements being made with her friend around the time of the purchases.

Zurich then interviewed the business owner but said she had confirmed Miss A visited her shop to make the purchases. It said this wasn't consistent with that Miss A had said about where items were purchased, Zurich also had concerns as to whether the shop in question had even been open at the time of the alleged purchase, as its investigator had visited the store which had shutters down and the security guard said it was no longer trading.

Zurich wasn't satisfied Miss A had given reasonable answers to its enquiries in order to establish this was a valid claim. I don't think, given the responses it received to its enquiries above, this was an unreasonable position to take. Miss A hasn't been able to evidence some of the purchases claimed for and the account from the business owner didn't match hers in terms of where the sale took place. I'm satisfied Zurich carried out a reasonable investigation in order to satisfy its concerns, and that the answers given gave it reasonably cause to rely on the fraud term of the policy to decline the claim as a whole – including any parts it might have thought were genuine losses – and cancel the policy with immediate effect. As such, I'm not going to require Zurich to do anything differently.

My final decision

My final decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss A to accept or reject my decision before 9 January 2025.

Michelle Henderson
Ombudsman