

The complaint

Mrs M complains that U K Insurance Limited (UKI) hasn't paid a cancelled port stop claim she made on a travel insurance policy.

What happened

Mrs M holds travel insurance as a benefit of a packaged account with her building society.

In December 2023, Mrs M called UKI to buy a trip extension to cover a cruise holiday she was due to take in late February 2024. The cruise left its UK port on 6 January 2024 and Mrs M boarded the cruise from another country on 22 February 2024.

However, some of the cruise port stops had had to be cancelled and Mrs M's itinerary changed. And so Mrs M went on to make a claim on the policy for cancelled port stops.

UKI noted that Mrs M hadn't bought optional cruise cover. But it felt its call handler should have told her about the availability of that option when she'd called in December 2023. And it concluded Mrs M would likely have taken out the cover if she'd been told about it. So it agreed to consider the claim.

But UKI didn't conclude that the claim was covered by the policy terms. That's because it said the port stops had already been cancelled by the operator before Mrs M boarded the cruise. It paid Mrs M £100 compensation for its failure to tell her about the option to buy cruise cover.

Mrs M was unhappy with UKI's decision and she asked us to look into her complaint.

Our investigator thought Mrs M's complaint should be upheld. He considered the policy terms and he noted that cancelled port stop cover applied after a policyholder's vessel had left its first port. In this case, Mrs M's cruise vessel had left its first port in the UK on 6 January 2024, so he felt that the claim was covered by the policy terms. And he also considered that the policy didn't make it clear that UKI would only pay for cancelled port stops if those stops were cancelled after a policyholder boarded the cruise. Therefore, he recommended that UKI should pay Mrs M's claim, less the premiums she'd have paid for the cruise cover, together with interest.

UKI disagreed. In brief, it felt its definition of a 'trip' and a 'cruise' were intrinsically linked. It stated that the policy covered port stops on an *insured member's* schedule that are cancelled by the cruise operator after the insured member's vessel has left the first port. In this case, it stated that Mrs M's cruise operator had decided to cancel the port stops before Mrs M boarded the cruise. It said cover wasn't tied to the point a claimant is told of the cancellation but the point at which the operator cancels. It added that the cover wasn't concerned with any destinations the vessel visited before Mrs M boarded.

The complaint's been passed 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.

Having done so, I don't think UKI has treated Mrs M fairly and I'll explain why.

The relevant regulator's rules say that insurers must handle claims promptly and fairly. And that they mustn't turn down claims unreasonably. I've taken those rules into account, amongst other relevant considerations such as industry principles and guidelines and the policy terms, to decide whether I think UKI treated Mrs M fairly.

First, I've considered the policy terms and conditions, as these form the basis of the insurance contract. The policy provides optional cruise cover. The heading to this section says that it provides cover, if, amongst other things:

'A scheduled port stop is cancelled by the cruise operator.'

The policy goes on to state:

'We will pay you £150 for each port stop shown on your schedule that is cancelled by the cruise operator after your vessel has left the first port.'

There's no dispute that Mrs M didn't take out the optional cruise cover upgrade and so she didn't pay the additional premium UKI would have charged for that cover. But UKI accepts that during Mrs M's call with it in December 2023 she did say she was going on a cruise and so the availability of this upgrade should have been highlighted to her. It also accepts that Mrs M would most likely have bought the upgrade. In my view then, UKI clearly acknowledges that it made a mistake. So now I need to decide how I think it should put things right.

UKI says £100 compensation is fair and reasonable to reflect the impact of its errors. I've considered this carefully. I think this is a proportionate and reasonable award to reflect the trouble and upset Mrs M was caused when she learned she didn't have the right cover, despite calling UKI ahead of her cruise and telling the call handler the nature of her trip.

However, UKI says that even if Mrs M had bought the upgrade, her claim wouldn't have been covered because the cruise operator had already cancelled the port stops before she boarded on 22 February 2024. I've gone on to consider this point.

I've seen evidence from the cruise operator, dated 25 February 2024, which set out which port stops on Mrs M's cruise had been cancelled and why. I've also seen an email from a travel company which indicates Mrs M was told about the proposed changes to the itinerary on 2 February 2024. On that basis, it does appear that the cruise operator had decided to cancel some of the port stops ahead of Mrs M boarding the cruise and that she may have been aware of this before her cruise began.

But the relevant policy term says that UKI will pay for each port stop shown on an insured person's scheduled that's cancelled by the operator after their vessel has left port. It's clear that Mrs M's port stops were cancelled by the cruise operator. And it's also clear that those cancelled port stops were shown on Mrs M's cruise schedule. In this case, the available evidence indicates that the decision to cancel the port stops by the cruise operator was likely taken in or around early February 2024. The vessel had left its first UK port on 6 January 2024 – around four weeks before it seems the likely decision to change the itinerary was made. I agree with the investigator then that the policy terms do directly cover Mrs M's

situation, even if that wasn't UKI's intention when it drafted the policy.

UKI says it isn't concerned with any of the destinations the cruise vessel visited before Mrs M boarded. I've considered what it's said and I acknowledge this was an extended cruise. I also accept that Mrs M boarded the cruise some weeks after its initial sailing.

In my view though, if UKI only intended to provide cover for port stops which are cancelled *after* their insured member boards a cruise, then as the drafting party, it had the ability to make this very clear in the policy paperwork. Instead, as I've said, I think the policy terms indicate that UKI does provide cover for Mrs M's particular situation.

So I don't find that the compensation UKI has already paid Mrs M goes far enough to put right its mistake in this case. That's because it seems to me that if its call handler had explained the option to take out cruise cover to Mrs M, she'd have purchased the cover and had a valid claim on the policy.

Therefore, I agree with our investigator that the fair outcome here is for UKI to accept and settle Mrs M's claim, in line with the remaining terms and conditions of the policy, less the premium she'd have paid for the upgrade. And I think it must add interest to the settlement from the date it assessed the claim in line with the cruise cover on 19 June 2024 (broadly a month after Mrs M made the claim) until the date of settlement.

Putting things right

I direct U K Insurance Limited to:

- Accept and settle Mrs M's claim in line with the policy terms and conditions;
- Deduct the premium Mrs M would have paid from the cover from that amount; and
- Add interest to the settlement at an annual rate of 8% simple from the date UKI initially assessed the claim in line with the cruise cover on 19 June 2024 until the date of settlement.

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

My final decision

For the reasons I've given above, my final decision is that I uphold this complaint and I direct U K Insurance Limited to put things right as I've outlined above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs M to accept or reject my decision before 20 February 2025.

Lisa Barham
Ombudsman