

The complaint

Ms K complains Great Lakes Insurance UK Limited has unfairly declined a claim she's made on her travel insurance policy following water damage to two phones covered under the policy.

What happened

The background to this complaint is well known to the parties and has been comprehensively documented by our Investigator so I've provided a summary here.

- Ms K's phones experienced water damage when submerged under water in a dry bag which failed. She made a claim on her travel insurance policy, underwritten by Great Lakes.
- Great Lakes declined the claim as it said the policy required Ms K's phones to be in full working order and it said they hadn't been in good condition before the claim was made. It also said liquid damage during water-based activities wasn't covered under the policy terms.
- Ms K complained. Great Lakes maintained its position. It said Ms K's phones weren't in good condition and the cracks to the front and rear would have compromised the protection of the phones from water-based activities and therefore increased the likelihood of sustaining liquid damage. It made no reference to the exclusion for liquid damage during water-based activities.
- Ms K raised a complaint with this Service. Our Investigator considered the evidence and upheld the complaint. She said the exclusion related to liquid damage which Great Lakes had relied on as part of the reason the claim was declined, wasn't present in the gadget cover part of the policy terms. In fact, she said the policy *did* cover sudden and unforeseen liquid damage. So, it wasn't fair for Great Lakes to rely on this exclusion.
- She went on to say that the phone manufacturer's published guidance said the phones would only be water resistant for up to 30 minutes and Ms K had explained they had been submerged for significantly longer than this. So, she didn't think the cracking to the phones would have made a difference as they would likely have been damaged anyway. She told Great Lakes to pay the claim, reimbursing Ms K for the cost of replacement phones together with interest at 8% and pay £150 compensation.
- Great Lakes disagreed and asked an Ombudsman to make a decision.

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.

I've taken into account relevant industry rules and guidance that insurers must handle claims promptly and fairly; provide reasonable guidance to help a policymaker make a claim; not unreasonably reject a claim and settle claims promptly once settlement terms are agreed.

- The policy includes gadget cover for accidental damage and defines this as “*..the sudden unforeseen and unintentional damage to Your Gadget. This includes damage to screens and damage resulting from sudden and unforeseen liquid damage*”.
- So, I'm satisfied Great Lakes original claim decline was incorrect when it said this peril was excluded under the relevant part of the policy terms. I'll be keeping this misinformation provided by Great Lakes in mind when deciding on any compensation it should pay Ms K.
- The policy requires the insured gadget to be “*in good condition and in full working order*” at the start of the policyholder's trip. Ms K has stated the phones were in full working order before the water damage and Great Lakes seems to accept this. But it's said Ms K's phones weren't in good condition because they have cracks in the glass at the front and the rear. So, I've gone on to think about what impact this had on the claim.
- In its submissions to this Service, Great Lakes says that it believes these cracks highly compromised the safety of the devices and would have increased the risk of water damage which it believes is the case with Ms K's phones.
- Ms K had placed the phones inside a dry bag while swimming. When she exited the water, it became apparent the dry bag had failed and the phones had experienced water damage having been submerged in water for two hours.
- I have carefully considered the phone manufacturer's guidance on the water-resistant capabilities of the phones and have found that they would both only be water resistant if submerged in water for 30 mins or less. But in this case, Ms K says the phones were submerged for four times longer than this and so, on balance, it seems to me the water damage would likely have occurred irrespective of any cracks that may - or may not - have impacted the phones original water-resistant capabilities.
- Having thought about this very carefully, I'm not persuaded this claim would have been avoided even if Ms K's phones had been in perfect condition given the length of the submersion under water. And so in the specific circumstances of this case, I think it would be fair and reasonable for Great Lakes to cover Ms K's claim for the cost of the replacement phones she purchased, subject to the remaining policy terms.
- And in addition to this, it should pay 8% simple interest per annum on the amount she paid from one month after she purchased the replacement phones – which seems a reasonable time for a claim such as this to be assessed – until when it reimburses her.
- Given the poor claims handling and misinformation it provided to Ms K, Great Lakes should also pay Ms K £150 for the distress and inconvenience it caused her.
- I know Ms K believes Great Lakes should pay additional costs and interest but I'm satisfied the amounts I've directed it to pay are fair and reasonable in all the circumstances.

My final decision

My final decision is that I uphold this complaint and direct Great Lakes Insurance UK Limited to:

- Cover Ms K's claim subject to the remaining policy terms and reimburse her the cost of the replacement mobile phones on provision of evidence to show the cost she paid and when she paid it. It should also pay interest at 8% per annum simple* on the amount from one month after she paid for the replacement phones up to the date it reimburses her.
- Pay Ms K £150 for the impact of its poor claims handling and misinformation.

Great Lakes Insurance UK Limited must pay the compensation within 28 days of the date on which we tell it Ms K accepts my final decision. If it pays later than this it must also pay interest on the compensation from the deadline date for settlement to the date of payment at 8% a year simple.

*If Great Lakes Insurance UK Limited considers that it's required by HM Revenue & Customs to deduct income tax from that interest, it should tell Ms K how much it's taken off. It should also give Ms K a tax deduction certificate if she asks for one, so she can reclaim the tax from HM Revenue & Customs if appropriate.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms K to accept or reject my decision before 28 February 2025.

Paul Phillips
Ombudsman