

The complaint

Mrs C complains because Red Sands Insurance Company (Europe) Limited ('Red Sands') said she'd need to pay an additional premium for her travel insurance policy when she told it about a new medical condition.

All references to Red Sands include the agents appointed to handle policy administration and complaints on its behalf.

Mrs C's complaint has been brought to us by her representative. Any references to Mrs C's submissions include those of her representative, where relevant.

What happened

Mrs C bought a single-trip travel insurance policy, provided by Red Sands, costing £397.60.

The day before Mrs C was due to travel abroad, she was unfortunately diagnosed with a serious illness. When she told Red Sands about this, Mrs C says Red Sands quoted her an additional premium of approximately £2100 to continue to cover her holiday. Red Sands said Mrs C wouldn't be covered if she didn't pay the additional premium and offered Mrs C a refund of the £397.60 she'd paid. Mrs C didn't accept this refund. Instead, she purchased an alternative single-trip travel insurance policy at a cost of £1289 and went on her trip.

Unhappy, Mrs C complained to Red Sands before bringing the matter to the attention of our service.

One of our investigators looked into what had happened and recommended that Mrs C's complaint should be upheld. Neither Mrs C nor Red Sands agreed with our investigator's opinion, so the complaint was referred to me as the final stage in our process.

I made my provisional decision about Mrs C's complaint earlier this month. In it, I said:

'I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.'

At the outset, I should say that I'm sorry to hear about Mrs C's diagnosis and I wish her well for the future.

Red Sands, as the underwriter of Mrs C's original policy, is the business responsible for the decision to charge Mrs C an additional premium when she notified it about her diagnosis.

When making this provisional decision, I've taken into account relevant industry rules and guidance, including those quoted by Mrs C. But I won't be commenting on each Financial Conduct Authority principle which Mrs C has listed and I'm not obliged to do so. Reflecting the informal nature of our service as an alternative to the civil courts, I'll be addressing only what I consider to be the key issues. This is in line with my overall legislative remit to decide what I think is fair and reasonable in all the circumstances. I should also say that the Financial Ombudsman Service considers individual disputes and we don't have any role in

regulating or taking preventive action against the financial services industry more broadly.

The terms and conditions of Mrs C's policy, in common with most (if not all) travel insurance policies on the market, require the policyholder to notify the insurer if they experience a change in their health after the policy is purchased. For the avoidance of doubt, I don't think the wording of Mrs C's policy in this regard is unclear, ambiguous or misleading.

The insurer may then, if the change in health is significant as I'm satisfied was the case here, be entitled to withdraw cover or to charge an additional premium subject to the insurer's own underwriting criteria which determines what level of risk it is prepared to accept. This isn't unusual and it isn't unfair, subject to the insurer being able to demonstrate that it would treat other policyholders in the same situation in the same way.

Travel insurance covers specific, listed insured events. Mrs C's original policy wasn't insuring her against the risk of developing a serious medical condition which significantly altered the risk which Red Sands had agreed to accept and Red Sands was under no obligation to continue to offer cover to Mrs C on its original terms when it was notified of her diagnosis.

Mrs C has said that her diagnosis wouldn't have impacted the holiday. But Mrs C had no way of knowing this, and nor did Red Sands. Red Sands was entitled to apply its underwriting criteria to set an additional premium reflecting its commercial appetite for continuing to provide cover going forward in light of the risk it considered was presented by Mrs C's new diagnosis. I appreciate Mrs C feels this isn't acceptable, but this is how travel insurance policies work.

It's not for Mrs C, or for this service, to say that the quoted increase in premium was disproportionate, as long as Red Sands is treating policyholders in the same circumstances in the same way. I'm satisfied, based on the evidence I've seen, that Red Sands didn't act unfairly when it told Mrs C that she'd need to pay an additional premium to cover her diagnosis.

The timing of the notification by Mrs C of her diagnosis in such close proximity to her holiday was very unfortunate. But this wasn't something which Red Sands had any control over and wasn't something which should reasonably have prevented Red Sands acting as it did.

This means I don't think Red Sands acted unfairly or unreasonably by quoting Mrs C an additional premium when she told it about her new diagnosis.

Having said that, I do think it would be fair and reasonable in the circumstances for Red Sands to pay for the cost of Mrs C's alternative travel insurance policy and I'll explain why.

I'm not bound to strictly apply the policy terms and conditions if I don't feel it achieves a fair and reasonable outcome. Our service's long-standing and published approach to cases like this is, if an insurer is withdrawing cover or charging an additional premium upon notification of a significant change in health, it should offer the policyholder the option of cancelling their holiday at the point the cover is amended.

This is separate and distinct to any cover available under the cancellation section of the policy, and regardless of whether cancellation of the holiday is medically necessary. Instead, we generally think it would be fair and reasonable in these circumstances for the insurer to cover the cost of cancelling the holiday because of the impact of altering the terms of the pre-agreed insurance contract mid-term on the policyholder's ability to travel.

Mrs C didn't cancel her holiday. Instead, Mrs C purchased an alternative policy. I've taken

into account Red Sand's comments about the level of cover offered under the alternative policy but, based on the evidence I've seen, I'm satisfied that the alternative cover was broadly similar to Mrs C's original policy with Red Sands, with the addition of Mrs C new diagnosis. I've attached a copy of Mrs C's new policy certificate to my provisional decision for Red Sand's attention.

As I think it would have been fair and reasonable for Red Sands to cover the cost of Mrs C cancelling her holiday if she'd chosen to do so, I think it would be fair and reasonable for Red Sands to instead pay for the cost of Mrs C's alternative insurance policy up to the value of what the holiday cancellation claim would have been.

If Red Sands requires reasonable evidence to ascertain what the cost of the holiday cancellation claim would have been then I think it's entitled to request this from Mrs C.

I understand Red Sands previously offered Mrs C a refund of the £397.60 which she paid for her policy. However, because I'm recommending for Red Sands to pay for the cost of the alternative policy which Mrs C bought, she isn't also fairly entitled to a refund of the premium she paid to Red Sands. Mrs C had the benefit of cover under the Red Sands policy from the date of purchase until the date she notified Red Sands about her change in health regardless of whether any claims were made, and the premium Mrs C paid to Red Sands is the minimum amount of money she'd always need to have paid to secure insurance cover for her holiday.

As I don't think Red Sands acted unfairly or unreasonably in the circumstances by quoting an additional premium, I don't intend to direct it to pay compensation for any distress and inconvenience that Mrs C experienced. While I don't doubt that it was a stressful experience for Mrs C having to arrange a new policy at such short notice, this was due to the circumstances she found herself in relating to her health rather than due to any error on the part of Red Sands. Our service doesn't award punitive damages of the nature Mrs C is seeking and there's no basis upon which I could fairly direct Red Sands to pay compensation to Mrs C for any loss of enjoyment of her holiday when I don't think the situation Mrs C found herself in was Red Sand's fault. I have no power to award compensation to Mrs C's representative, as she wasn't insured under the policy with Red Sands and, so, isn't an eligible complainant under our rules.

While I have sympathy for the situation Mrs C found herself in, I must reach an independent and impartial outcome which is fair to both parties. Overall, for the reasons I've explained, I'm currently satisfied that the provisional direction which I've set out below is fair and reasonable in the circumstances.'

My provisional direction was to require Red Sands to refund Mrs C for the cost of her alternative travel insurance policy, together with interest, up to the overall limit of what the value of Mrs C's cancelled holiday would have been.

Mrs C accepted my provisional decision. Red Sands didn't. In summary, Red Sands said it made no error in this case, its policy terms and conditions are fair, and Mrs C chose not to cancel her holiday so is effectively being given a free insurance policy.

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 note Mrs C's comments that she was prepared to accept our investigator's opinion about

her complaint, despite her disappointment that a number of issues had been disregarded.

Turning to Red Sands' response to my provisional decision, our website sets out information about our general approach to travel insurance complaints involving a change in health.

My provisional decision explained why I think it would have been fair and reasonable in these circumstances for Red Sands to offer Mrs C the option of cancelling her holiday at the point she notified it about her change in health. This wouldn't have been under the cancellation section of the policy, but to reflect the fact that Red Sands was unilaterally altering the pre-agreed contractual terms of the policy cover and to recognise the impact of this on Mrs C's travel plans. I don't think an offer by Red Sands to refund the premium which Mrs C had paid to it fairly reflects this.

So, regardless of whether Mrs C ultimately chose to cancel her holiday, I think it would have been fair and reasonable in the circumstances for Red Sands to give her the option of doing so at its expense. If Mrs C had chosen to cancel her holiday, Red Sands would then have been exposed to this cost. The fact that Mrs C instead chose to obtain alternative travel insurance cover and continue with her travel plans doesn't mean that it's fair or reasonable in the circumstances for Red Sands to avoid the exposure it would otherwise have had to the cost of Mrs C cancelling the holiday.

As I think it would have been fair and reasonable in the circumstances for Red Sands to pay for the costs involved in Mrs C cancelling her holiday if this is what she had chosen to do, I'm satisfied that it's fair and reasonable in the circumstances for Red Sands to instead pay for the cost of Mrs C's alternative travel insurance policy up to the value of what her cancelled holiday would have been.

For these reasons, as well as those set out in my provisional decision, my findings remain unchanged.

Putting things right

Red Sands Insurance Company (Europe) Limited must put things right by refunding Mrs C the cost of her alternative travel insurance policy, together with interest at 8% simple per annum from the date Mrs C bought the alternative policy until the date the settlement is paid¹.

This is subject to the overall limit of what the value of Mrs C's cancelled holiday would have been if she'd chosen to cancel the trip on the date she notified Red Sands Insurance Company (Europe) Limited about her diagnosis.

My final decision

I'm upholding Mrs C's complaint against Red Sands Insurance Company (Europe) Limited, and I direct it to put things right in the way I've outlined above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs C to accept or reject my decision before 26 March 2025.

Leah Nagle

¹ If Red Sands Insurance Company (Europe) Limited considers that it's required by HM Revenue & Customs to deduct income tax from that interest, it should tell Mrs C how much it has taken off. It should also give Mrs C a tax deduction certificate if she asks for one, so she can reclaim the tax from HM Revenue & Customs if appropriate.

Ombudsman