

The complaint

Mrs H is unhappy that Red Sands Insurance Company (Europe) Limited withdrew cover under her annual travel insurance policy.

What happened

The background to this complaint is well known to the parties. In summary when a medical development meant Mrs H would have an undiagnosed condition at the time of travel, Red Sands withdrew cover. Still wishing to travel on her holiday, Mrs H found cover elsewhere at a premium of £78.15.

Unhappy about the situation Mrs H complained to Red Sands. When it didn't uphold her complaint she referred the matter to this Service. Our investigator recommended that Red Sands reimburse Mrs H the cost of securing alternative cover, less any partial premium refund it had paid.

Mrs H accepted this, but Red Sands didn't. It felt that the pro-rata refund it offered six days before Mrs H was due to travel was sufficient time for her to find alternative cover. It felt it had acted fairly and in line with the policy terms and conditions.

As no agreement has been reached the matter has been passed to me to determine.

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 agree with the conclusions reached by the investigator for these reasons:

- The relevant regulator's principles provide that financial firms must pay due regard to the interests of its customers and treat them fairly. So I've considered, amongst other things, the terms of Mrs H's policy, relevant regulatory rules and guidance and good industry practice to decide whether I think Red Sands has treated Mrs H fairly.
- I've considered the policy terms and conditions, as these form the basis of the contract between Mrs H and Red Sands.

Firstly the Insurance Product Information Document (IPID) makes clear under *What are my obligations?* *That the policyholder must notify Red Sands of any change in your health after taking out this insurance but before starting your trip.* This requirement is also contained in the policy terms and conditions:

Health/existing medical conditions

Change in circumstances (including change in your health)

If you suffer an injury, illness or change in your health, including any changes to

medication, after taking out this insurance but before starting your trip (this is known as a change in circumstance). Any change in circumstances must be notified to us and accepted in writing in order to be covered under all sections of the policy. You will only be covered under the cancellation section of this policy (if your cover includes cancellation cover) until we have accepted any changes.

And under the subheading *Waiting list*, the policy states:

Should you become aware of a change in your diagnosis before you travel, please notify your issuing agent immediately.

If you are awaiting an initial diagnosis for symptoms, you are currently experiencing, we are unable to provide any cover under this policy until you have a confirmed diagnosis which has been declared to and agreed by us.

Mrs H correctly advised Red Sands that she was going in for a diagnostic procedure. However she said that she wouldn't have the results before she travelled. Red Sands then withdrew cover. It was entitled to do so as the policy continues, under *Change in circumstances*:

We may, in the light of such changed circumstances, not be able to continue cover under this insurance. In this instance we will cover you for any loss of deposit or cancellation charges (if your cover includes cancellation cover) you have necessarily incurred up to the date of the change of circumstances that are normally covered under Cancellation Policy A section 1 of this insurance, in these circumstances no policy excess will be applied. Alternatively, we will provide a full refund for single trip policies, or pro-rata refund for Annual Multi-trip policies following the terms of the 'cancelling your policies' section of this wording, provided there has been no claim(s) made under this insurance.

- Red Sands agreed that if Mrs H cancelled her holiday, she could claim under the cancellation section of her policy. Alternatively, it would offer a pro-rata refund. Mrs H wanted to continue with her holiday as her doctor had advised she was fit to travel so she sought cover elsewhere at the cost of £78.15. Although Red Sands acted in accordance with the policy terms, I don't find that this resulted in a fair and reasonable resolution to this complaint. I say this because instead of cancelling her holiday Mrs H found cover elsewhere. So the approach this service takes is that it is fair and reasonable for insurers to cover the cost of the new insurance, up to the value of any cancellation claim that could have been made. The cost of new insurance is often far less than the cost an insurer would otherwise have paid had the policyholder decided to cancel their holiday. It is very likely that this is the case here – so Mrs H effectively reduced Red Sands' exposure to loss.
- I do understand that Mrs H was put in a difficult position shortly before she was due to go on holiday. She spent time during her working day finding a new policy. But I agree that this was a consequence of her change in medical circumstances and not something that Red Sands was responsible for.

My final decision

My final decision is that I uphold this complaint. I require Red Sands Insurance Company (Europe) Limited to reimburse Mrs H the cost of securing alternative cover (upon receipt of evidence of the cost, which I understand to be £78.15), less any partial premium refund it has already paid.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs H to accept or reject my decision before 17 April 2025.

Lindsey Woloski
Ombudsman