

The complaint

Mr K complains about how Arch Insurance (UK) Limited dealt with a claim against his travel insurance policy.

What happened

In summary, Mr K has an annual travel insurance policy underwritten by Arch. He booked a trip with departure and return dates of 21 July 2024 and 27 July 2024 respectively. There were three flights on his outbound journey and two flights on his return journey.

Mr K's second outbound flight was cancelled due to bad weather. The airline arranged two replacement outbound flights for 23 July 2024 and reimbursed Mr K for accommodation while he waited for the replacement flights. The first of Mr K's replacement flights was cancelled and both replacement flights were rebooked for later the same day. The second of the rebooked flights was delayed because the pilot had run out of flying hours. If Mr K had proceeded with his outbound journey, he would have arrived at his intended destination on 24 July 2024. He decided to abandon his trip and return home.

Mr K made a claim against his policy for the entire airfare of £1,061.29. Arch initially paid Mr K £40 for delay benefit. Mr K complained about that and Arch reimbursed £546.77, so the total it paid was £586.77. That was for 3/5 of the original cost of the airfare, less an excess of £50. Arch said Mr K had used two of the flights, so it didn't reimburse 2/5 of the airfare costs.

Mr K initially wanted Arch to reimburse him for the full cost of the airfare, including the flights he used. Alternatively, he wanted Arch to settle the claim on the basis of distance flown, rather than number of flights. He said Arch should not have deducted an excess from the settlement.

One of our Investigators looked at what had happened. She didn't think Arch had acted unfairly or unreasonably in limiting reimbursement to three of the five flights Mr K planned. That was because the policy provides for reimbursement of loss, which doesn't apply to the flights Mr K used.

The Investigator didn't think Arch had acted fairly in deducting an excess of £50. She said there's no excess in the '**Travel Delay**' section of the policy and no distinction between delay benefit and reimbursement of loss. The Investigator said if Arch wanted to deduct an excess when there's payment for losses arising from travel delay, it should have set that out in the documentation. She recommended Arch pay Mr K the £50 it deducted from the settlement and interest.

Mr K accepted the Investigator's recommendation but Arch did not agree. It said the policy wording confirms there is a £50 excess under the '**Cancellation and Curtailment**' section. It says the '**Travel Delay**' section of the policy says it will pay travel delay

benefit or reimburse losses under the '**Cancellation and Curtailment**' section, where the excess of £50 applies.

The Investigator considered what Arch said but didn't change her view. She said Arch settled Mr K's claim under Section B2 of the policy, '**Travel Delay**'. The Investigator said what happened here – delay due to adverse weather leading to abandonment of the trip – is an insured peril under section B2 but not under Section B1, the '**Cancellation and Curtailment**' section. She said if it was Arch's intention to apply an excess when losses are reimbursed after travel delay, the policy wording should have been clear about that. The Investigator thought it was fair and reasonable not to apply an excess to the settlement in this case.

Arch said the policy says '**OR Reimbursement**', so if losses are reimbursed they refer to the '**Cancellation and Curtailment**' section, where an excess of £50 applies. Arch asked that an ombudsman consider the complaint, so it was 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.

The relevant rules and industry guidance say that Arch has a responsibility to handle claims promptly and fairly. I uphold Mr K's complaint in part for the following reasons:

- I agree with the Investigator that Arch is only required to reimburse Mr K for unused flights. That's because it's reimbursing for loss of travel expenses. Mr K used two flights, so Arch isn't obliged to reimburse the cost of those flights. I don't think Arch acted unfairly or unreasonably in calculating the payment on the basis of the number of flights, rather than the miles travelled. Mr K accepted the Investigator's view in relation to this matter, so I don't need to comment on it further.
- The remaining issue to be decided is whether Arch acted in accordance with the policy terms and fairly and reasonably in deducting an excess of £50 from the settlement of Mr K's claim. I don't think it did and I'll explain why.
- Arch settled Mr K's claim under the second part of '**Section B2 Travel Delay**', which provides as follows:

*'In the event that transport services on which **You** have previously booked to travel are delayed due to the following perils:*

*Accident, strike, industrial action, **hi-jack**, criminal act, bomb scare, riot, civil commotion, fire, flood, earthquake, landslide, avalanche, adverse weather conditions, mechanical breakdown,*

We shall pay the following:

- a) GBP20 for the first completed twelve (12) hour period of delay; and*
- b) GBP10 for each subsequent twelve (12) hour period, up to a maximum of £120,*

OR

*Reimbursement, up to the Sum Insured stated in the **Schedule**, for Cancellation and Curtailment in respect of irrecoverable loss of travel and accommodation expenses paid or due to be paid should **You** opt to cancel a **Covered Trip** completely following a delay of twenty-four (24) hours or more due to the perils listed above, less any amounts recoverable from any other source.'*

- An extract of the **Schedule** is as follows:

Table of Benefits [...]

Benefit	Sum Insured¹	Excess*
[...]		
<i>B1 Cancellation & Curtailment</i>	£5,000	£50
<i>B2 Travel Delay</i>	£5,000	nil
[...]		

**NOTE: An excess is an amount of money which is deducted from any claim made by each Insured Person under any section of the Policy to which such excess applies.*

- Arch says the policy provides for payment for travel delay under the first half of B2 '**Travel Delay**' or reimbursement under the '**Cancellation and Curtailment**' section where the £50 excess applies. I don't agree with Arch's contention and I'll explain why.
- Arch settled Mr K's claim under section '**B2 Travel Delay**'. All of that section relates to travel delay and is therefore not subject to an excess in accordance with the '**Schedule**'. The insured perils listed in '**B2 Travel Delay**' are different from the insured perils listed under '**B1 Cancellation and Curtailment**'. Mr K's claim arose as a result of adverse weather which is listed in B2 but not B1. In addition, whilst B2 refers to the '*Sum Insured stated in the **Schedule**, for Cancellation and Curtailment*', it doesn't refer to the excess.
- Even if I came to a different view about what the policy actually says, I don't think it would be fair and reasonable for Arch to deduct the excess from the settlement in Mr K's case. That's because I don't think it's clear that the excess for claims under '**Cancellation and Curtailment**' applies to reimbursement following abandonment of a trip following travel delay of 24 hours or more.

Putting things right

In order to put things right Arch should pay Mr K the £50 excess it deducted from the settlement. It should also pay interest on that amount at the simple rate of 8% per year, from the date of its initial settlement to the date of payment.

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

My final decision

My final decision is that I uphold this complaint. I now require Arch Insurance (UK) Limited to take the steps I've set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr K to accept or reject my decision before 14 July 2025.

Louise Povey

Ombudsman