

The complaint

Mr and Mrs H have complained that Red Sands Insurance Company (Europe) Limited hasn't paid out the full amount on a claim they made on their single trip travel insurance policy. They have also complained about poor claims handling.

What happened

Mr and Mrs H purchased the policy in January 2024 for a trip starting in February 2024. Unfortunately, Mrs H was taken ill whilst abroad in March 2024. There was no cost for her medical treatment as it was covered under a reciprocal arrangement between that country and the UK. However, some months later, she received a bill for the cost of the ambulance and so made a claim on the policy.

Upon reviewing the information provided for the claim, Red Sands identified that Mrs H hadn't declared all of her medical conditions. It therefore undertook a retrospective medical screening by asking her more questions about those additional conditions, to determine what it would have done had it know about these at the point of sale.

The outcome was the Red Sands would still have provided cover. However, the premium would have been £608.11, instead of the £519.55 that was actually quoted and paid. As the sum paid by Mr and Mrs H was only 81.22% of what they should have paid, Red Sands said it would only pay out that proportion of the claim amount.

In response to the complaint, Red Sands accepted that there had been some delays and poor service, for which it apologised. However, it maintained its stance in relation to the settlement amount.

Our investigator thought that Red Sands had acted fairly in reducing the claim amount in this way. She also thought that the apology was a reasonable response to the service issues. Mr and Mrs H disagree and so the complaint has been passed to me for 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 carefully considered the obligations placed on Red Sands by the Financial Conduct Authority (FCA). Its 'Insurance: Conduct of Business Sourcebook' (ICOBS) includes the requirement for Red Sands to handle claims promptly and fairly, and to not unreasonably decline a claim.

The complaint involves the actions of the claim administrators, acting on behalf of Red Sands. To be clear, when referring to Red Sands in this decision I am also referring to any other entities acting on its behalf.

Mr and Mrs H have expressed some dissatisfaction about the way the policy is marketed, particularly in terms of branding it under a particular, well-regarded company, when the claims handling is carried out by a different company who receives less favourable reviews.

It's important to make clear that we are not the industry regulator. We have no power to regulate the financial businesses we cover, nor to direct them to change their processes or procedures. Our role is to investigate individual complaints made by consumers to decide whether, in the specific circumstances of that complaint, a financial business has done something wrong which it needs to put right. However, I will just say that the way the policy operates is in no way unusual and it is common practice for insurers to appoint separate administrators. The main complaint here, which is about the claim only being partially settled, is due to the issue of non-disclosure at the point of sale rather than any actions of the claims administrator.

The relevant law in this case is The Consumer Insurance (Disclosure and Representations) Act 2012 (CIDRA). CIDRA requires consumers to take reasonable care not to make a misrepresentation when taking out a consumer insurance contract.

If a consumer fails to do this, the insurer has certain remedies provided the misrepresentation is - what CIDRA describes as - a qualifying misrepresentation. For it to be a qualifying misrepresentation, the insurer has to show it would have offered the policy on different terms - or not at all - if the consumer hadn't made the misrepresentation.

CIDRA sets out a number of considerations for deciding whether the consumer failed to take reasonable care. And the remedy available to the insurer under CIDRA depends on whether the qualifying misrepresentation was deliberate or reckless, or careless.

When they took out the policy, they were asked about any medical conditions they'd had. Red Sands used this information to decide whether to insure Mr and Mrs H and if so, on what terms. Red Sands says that Mrs T didn't correctly answer all of the questions she was asked during the screening process. This means the principles set out in CIDRA are relevant. So, I think it's fair and reasonable to apply these principles to the circumstances of the claim.

Red Sands thinks Mrs H failed to take reasonable care not to make a misrepresentation when she took out the policy. So, I've considered whether I think this was a fair conclusion for it to reach.

Firstly, when considering whether a consumer has taken reasonable care, I need to consider how clear and specific the questions they were asked were. Mr and Mrs H were asked the following:

'Has anyone named on this policy ever had treatment for:

- a) Any heart or circulatory condition?*
- b) Any type of diabetes?*
- c) A stroke or high blood pressure?*
- d) Any type of cancer, whether in remission or not?*
- e) Any lung or breathing condition?*
- f) Any organ transplant or dialysis?"*

...

In the last 5 years, has anyone named on this policy suffered from a serious or recurring medical condition, been prescribed medication or received treatment or attended a medical practitioner surgery?

In the last five years has anyone named on this policy being referred to a specialist or consultant at a hospital or clinic for tests diagnosis or treatment or attendant as an in or outpatient?

Has anyone named on this policy ever been diagnosed or treated for any form of anxiety depression or psychiatric condition including eating disorders?’

Mrs H did declare a number of medical conditions. However, she didn't declare three conditions that came to light when Red Sands reviewed her medical notes to assess the claim. Additionally, Red Sands noted that she had been prescribed medication to treat an apparent skin condition, although it was unclear from the medical information what that condition was.

Although Mrs H says Red Sands reduced the claim payment because she didn't disclose two conditions – a chest infection and eczema – there were a further two conditions that she also didn't disclose.

She says she didn't have eczema but was advised to change her shower gel by a consultant who noticed a red area of skin when examining her for something else. To be clear, Red Sands hasn't concluded that she had eczema. On 1 August 2024 it wrote to her asking her to complete some further medical questions. It asked her why she had been prescribed a dermal wash and, in anticipation of her possible answers and to avoid having to return to her again, it asked a couple of subsidiary questions about skin infection and eczema. It accepted her answer and therefore didn't include eczema in the retro-screening it carried out. However, it's possible some confusion has been caused as its complaint final response letter mentions skin infection and eczema.

Mrs H says she had a chesty cough and was prescribed antibiotics but shouldn't be expected to remember such a minor event that happened nearly two years before. However, the question asked during the application was clear about disclosing any condition that required medication or attendance at a surgery. In taking reasonable care, an applicant should take steps to ensure they are answering accurately if they feel that using their memory alone might be unreliable.

Mr and Mrs H say that the undeclared conditions are totally unrelated to the reason Mrs H was hospitalised abroad. But that's not the issue here. The matter at hand is what Red Sands would have done had she fully declared all her previous and current health conditions when buying the policy.

I'm satisfied by the evidence presented by Red Sands that its retro-screening, based on Mrs H's accurate medical information, shows that they would have been quoted £608.11 at the time of purchase, rather than the £519.55 that they did pay.

Mr and Mrs H query this price difference because they say they contacted the same broker to obtain quotes for the same travel dates in 2025, with and without declaring eczema and chest infection, and there was only a 3% difference on that occasion. However, those later quotes are not a like for like comparison. In that instance, Mrs H declared the condition that she had suffered from on her trip in March 2024. I'm not sure if she declared the other two conditions that she omitted to mention originally. And crucially, the quote was based on the calculating algorithm in use at the time the quote was made, rather than retrospectively applying the conditions that were in place in January 2024. I appreciate Mr and Mrs H feel that something underhand has gone on, however, I haven't seen any evidence that there has been any unfair manipulation of the price.

I've thought very carefully about what Mr and Mrs H have said and appreciate that they did declare their more significant, current health conditions. However, the available evidence suggests that Mrs H did make a qualifying misrepresentation under CIDRA. So Red Sands is entitled to apply the relevant remedy available to it under the Act. It concluded that Mrs H's

misrepresentation was careless, rather than deliberate or reckless. I think this was a reasonable conclusion for it to reach. I don't think she intended to mislead Red Sands, but she didn't take enough care to ensure she answered its questions correctly.

CIDRA says, in cases of careless misrepresentation, that an insurer is entitled to apply cover as if it had all of the information it wanted to know at the outset. If it would still have offered cover, but charged a higher premium, then it may settle the claim proportionately, in line with the premium it would have charged. And if it would never have offered cover at all, it's entitled to cancel the policy from the start and refund the premium.

In this case, that means that it has settled 81.22% of the value of their claim. In the circumstances, I consider that Red Sands has acted fairly, in line with the relevant legislation.

In relation to the claims handling, Red Sands accepted that there had been some poor service, including failure to call back as promised and delays. It therefore upheld that part of the complaint and apologised. I acknowledge that the errors that occurred would have caused Mr and Mrs H some frustration and stress. However, on balance, I'm satisfied that an apology is a proportionate and reasonable response in this instance.

So, whilst I know it will be disappointing for Mr and Mrs H, I'm unable to conclude that Red Sands has done anything significantly wrong. It follows that I do not uphold the complaint.

My final decision

For the reasons set out above, I do not uphold the complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H and Mrs H to accept or reject my decision before 11 July 2025.

Carole Clark
Ombudsman