

The complaint

Mr P and Mrs P complain about the settlement Red Sands Insurance Company (Europe) Limited (Red Sands) has paid to settle the claim they made under their travel insurance policy.

This complaint has been brought by both Mr P and Mrs P, but as Mr P has been leading in this complaint, and for ease, I've referred to him throughout.

What happened

The circumstances of this complaint will be well known to both parties and so I've summarised events.

In February 2024 Mr P purchased a single trip travel insurance policy to cover his trip due to take place in September 2024. In July 2024 Mr P said he started suffering from a pain in his knee and visited his GP. Following a number of appointments and a discussion with his doctor, Mr P cancelled his trip. He then submitted a claim to Red Sands under his travel insurance policy.

Following an investigation into his claim Red Sands agreed to pay Mr P a settlement of around £1,300 including a deduction of the policy excess. It said it thought Mr P should have made it aware of his change in health in July 2024 and had he done so it would have withdrawn cover. Therefore, it had paid 40% of his cancellation costs, as this is what Mr P would have been charged by the travel provider for cancelling his trip in July 2024. It also made a deduction for Air Passenger Duty (APD) and ATOL certificates. Mr P raised a complaint.

On 21 March 2025 Red Sands issued Mr P with a final response to his complaint but didn't change its position on Mr P's claim. Mr P referred his complaint to this Service.

Our Investigator looked into things. He said he thought Red Sands had settled Mr P's claim fairly. He also said he thought it was reasonable for Red Sands to make deductions for APD and ATOL certificates.

Mr P didn't agree with our Investigator. He provided a detailed response but in summary he said:

- The Investigator was suggesting anyone who holds travel insurance should make their insurer aware whenever they visit a doctor, no matter how trivial the reason and then the insurer would be able to cancel their policy. So, there would be little point holding a travel insurance policy.
- The policy terms around change in health require the insurer to be notified about a change in health but doesn't say this needs to be done immediately.
- Neither APD, nor ATOL certificates are mentioned in the policy documents so he was unaware they could be recovered from another source. And if the charges were

recoverable, why were they not recovered by his travel provider?

I issued a provisional decision about this complaint and I said:

'I want to acknowledge I've summarised Mr P's complaint in less detail than he's presented it. I've not commented on every point he has raised. Instead, I've focussed on what I consider to be the key points I need to think about. I mean no courtesy by this, but it simply reflects the informal nature of this Service. I assure Mr P and Red Sands I've read and considered everything that's been provided.'

The relevant rules and industry guidelines explain Red Sands should handle claims fairly.

The Insurance Product Information Document (IPID) for Mr P's policy includes a section relating to Mr P's obligations under his policy of insurance. This explains that if Mr P suffers a change in health after taking out his policy, but before starting his trip, this must be notified to Red Sands and accepted in writing in order for cover to be provided. Clauses to this are found in most, if not all travel insurance policies on the market.

This is also outlined in the terms of Mr P's policy. 'Change in Health' is defined in the policy as:

'Any deterioration or change in your health between the date the policy was bought and the date of travel, this includes new medication, change in regular medication, deterioration of a previously stable condition, referral to a specialist, investigation of an undiagnosed condition or awaiting treatment/consultation.'

The policy terms say if Red Sands cannot continue to offer cover following notification of a change in health, it would provide cover for the costs of cancelling a trip up to the date of the change in circumstances. I think this is a reasonable position for Red Sands to take in such circumstances.

Red Sands has said Mr P should have made it aware of his change in health following his visit to the GP on 30 July 2024. So, I've considered whether I think this is reasonable.

Mr P has said he began suffering from pain in the back of his left knee on 19 July 2024. He said he visited a GP on 30 July 2024 who said the issue could be deep vein thrombosis (DVT) or a cyst. The following day he had a blood test for DVT which was negative and then had a follow up appointment with his GP on 1 August 2024 to discuss his results and next steps.

Based on the evidence Mr P has provided, I think it was reasonable for Red Sands to conclude Mr P had experienced a change in health at this point which fundamentally altered the subject matter of the risk Red Sands had agreed to accept. The definition of change in health includes investigation of an undiagnosed condition. Mr P had a blood test to investigate an undiagnosed condition and the condition remained undiagnosed following this.

I acknowledge Mr P has said the policy terms don't say Red Sands need to be made aware of a change in health immediately. However, the terms do say if Mr P suffers a change in health this must be notified to Red Sands and accepted in writing in order for it to be covered. And the terms allow Red Sands to withdraw cover from the date

of the change in circumstances if it can no longer cover the risk. It wouldn't be fair or reasonable to conclude a change in health shouldn't be disclosed to an insurer immediately, otherwise it could expose the insurer to a larger cancellation claim.

Red Sands has said if Mr P made it aware of his change in health, it wouldn't have been able to continue to provide him with cover. It has provided evidence to show it won't provide ongoing cover for an undiagnosed medical condition, and this is also explained in the terms of Mr P's policy. This isn't uncommon within the travel insurance industry. So, I'm persuaded Red Sands would have been unable to continue to provide cover for Mr P's trip had he made it aware of his change in health.

The terms of Mr P's policy explain if Red Sands are unable to continue to provide cover following a change in health, it will cover the cancellation charges Mr P has incurred up to the date of the change in health. Alternatively, it will provide a full refund of the policy premium. This is in line with this Service's long standing and published approach about what we think is fair and reasonable if a policyholder experiences a change in health which fundamentally alters the subject matter of the risk after a travel insurance policy has been entered into.

As I'm persuaded Mr P had suffered a change in health which Red Sands should have been made aware of, I think it's reasonable for Red Sands to settle Mr P's claim based on what it would have paid had he cancelled his trip at the point he suffered a change in health. This is ultimately what I would have expected Red Sands to have offered Mr P had he made it aware of his change in health.

I've reviewed the terms and conditions on the website of the travel provider Mr P purchased his trip through. If Mr P's trip was cancelled at the point he suffered a change in health the cancellation fee would have been 40% of the trip booking. Therefore, I think it was reasonable for Red Sands to look to settle 40% of the cancelled trip.

Mr P is unhappy Red Sands has made a deduction for two ATOL certificates from the settlement it has paid him. Red Sands has said the certificates are non-refundable, and the policy terms explain there is no cover for any loss unless specified in the policy. I'm not persuaded it was reasonable for Red Sands to make a deduction for ATOL certificates when settling Mr P's claim. Travel providers who hold an ATOL license are charged an ATOL protection charge of £2.50 per passenger which goes to the Air Travel Trust Fund when a consumer books a product covered by the license. The Civil Aviation Authority (CAA) makes clear on its website that this is not a charge on consumers but is a charge payable by ATOL holders to the Air Travel Trust. Additionally, I've not seen any evidence this is something Mr P was charged by his travel provider. So, I don't think it is fair or reasonable in the circumstances for Red Sands to deduct the cost of ATOL certificates from Mr P's settlement.

Mr P is also unhappy Red Sands has made a deduction for APD from the settlement it has paid. Red Sands has said this is a cost which is refundable elsewhere and so it isn't covered under the terms of the policy.

The cancellation section of Mr P's policy explains Red Sands will cover the cost of pre-paid expenses which Mr P can't recover from any other source. APD is a tax airlines pay for every passenger who flies from the UK, the cost of which is usually included within the price of the ticket. However, if a passenger doesn't take a flight, it may be possible to receive a refund of APD from the airline. And whilst I acknowledge Mr P's contractual relationship is with the travel provider, and not the

airline directly, I think it's reasonable to expect he may be able to receive a refund of APD from the airline or his travel provider given he didn't travel.

I acknowledge Mr P thinks it's unreasonable the policy terms don't specifically refer to APD, however, having taken into account what I consider to be industry practice, I don't think it's unfair for Red Sands to consider this as a cost which can be recovered from another source, and therefore not covered by the terms of the policy. And in its settlement letter Red Sands told Mr P this was refundable from the airline. So, I don't think this was an error by Red Sands.

I've reviewed the settlement Red Sands has paid to Mr P, taking into consideration the above, and I'm not persuaded it's correct. However, my role is to consider what I think is fair and reasonable in the overall circumstances of the complaint and, overall, I think the settlement Red Sands has paid is more than Mr P is entitled to under the terms and conditions of the policy, so I won't be requiring it to pay a further settlement.

I say this because it seems Red Sands has incorrectly calculated Mr P's settlement based on the trip costing £3,624.70 but it was actually £3,634.70. In addition I think it has unfairly deducted £2 for 40% of the ATOL certificates for the reasons I've explained in this decision. However, it has also deducted £10.40 from the settlement, which is 40% of two APD charges totalling £26. APD is charged per passenger, per flight. And Mrs P was also travelling on the trip, so in total there would have been four charges for APD which I think it could have reasonably deducted, rather than the two it has done.

Taking all of this into consideration, I think the settlement Mr P has received, although incorrectly calculated, is more than Red Sands were required to pay under the terms of his policy. Therefore, I don't require Red Sands to pay Mr P an additional settlement.

I know this will be disappointing for Mr P, but for the reasons I've explained I don't intend to uphold his complaint.

Neither party provided any additional comments or evidence for me to think about.

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.

As neither party provided any additional comments or evidence for me to think about, I see no reason to reach a different outcome to the one I reached previously. So, I don't uphold this complaint for the reasons I set out in my provisional decision.

My final decision

For the reasons I've set out above, I don't uphold Mr P and Mrs P's complaint about Red Sands Insurance Company (Europe) Limited.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr P and Mrs P to accept or reject my decision before 19 January 2026.

Andrew Clarke

Ombudsman