

## **The complaint**

Mr and Mrs F complain because Admiral Insurance (Gibraltar) Limited only paid part of a cancellation claim under their travel insurance policy.

## **What happened**

Mr and Mrs F held an annual travel insurance policy, provided by Admiral.

When Mr F made a claim under the policy, Admiral said it would only pay 62.09% of the costs. Admiral said this was because Mr F hadn't told it about a particular medical condition when he bought the policy.

Unhappy, Mr F complained to Admiral. Mr F said he didn't have the medical condition in question when the policy was taken out, and he was only diagnosed with it while the policy was in force. Admiral paid Mr F £75 compensation for customer service issues but maintained its decision that it would only pay part of the claim.

Mr F brought the matter to the attention of our Service. One of our Investigators looked into what had happened and said he didn't think Admiral had acted fairly or reasonably in the circumstances. He recommended that Admiral should pay the remainder of Mr F's claim, together with interest as well as an additional £150 compensation for the distress and inconvenience caused.

Mr F accepted our Investigator's opinion, but Admiral didn't so the complaint has now been referred to me to make a decision as the final stage in our process.

## **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.

Industry rules set out by the regulator say insurers must handle claims fairly. Consumer Duty principles say firms must act in good faith towards retail customers and avoid causing foreseeable harm. I've taken these rules, alongside other relevant considerations, into account when making my final decision.

Admiral's final response to Mr F's complaint referred to the Consumer Insurance (Disclosure and Representations) Act 2012 ('CIDRA') as the basis upon which it was entitled to proportionately settle Mr F's claim. CIDRA can apply to the variation of a contract where a consumer has made disclosures and representations about their health before that variation, but that isn't what happened here. Mr F didn't make any disclosures or representations to Admiral about changes to his health during the term of this contract, and the contract wasn't varied. This means the principles outlined under CIDRA (including an insurer's remedy to proportionately settle a claim) don't apply to the circumstances of Mr F's case.

The terms and conditions of Mr F's policy with Admiral say:

*'Changes that may affect your cover*

*You must tell us as soon as possible about any changes that could affect your cover. For example if you:*

- *are diagnosed with a new medical condition or your health changes ...*

...

*If you are not sure whether a change may affect your cover, please contact us. When you tell us about a change we may reassess your cover, your premium or both. If you don't tell us about a change or give us incorrect information your policy may be invalid, we may refuse your claim or not pay your claim in full.'*

The policy also says:

*'New medical conditions or changes to your health*

*After you have paid for a policy, you must tell us immediately if there is a change in your health, such as you are diagnosed with a new medical condition ...'*

Terms like these, allowing an insurer to amend cover under a travel insurance policy if there is a change in the policyholder's health after the contract has been entered into which alters the subject matter of the risk, aren't unusual. And, as long as such terms are clearly set out in the policy documentation, I wouldn't generally consider them to be unfair.

The policy terms which I've quoted above give Admiral the right to refuse to pay a claim in full if they are not told about a change in a policyholder's health. However, I don't think it's fair or reasonable to interpret this as including the right to proportionately settle a claim. The application of the CIDRA remedy of proportionate settlement in circumstances where CIDRA doesn't apply, where this provides a worse result for the consumer than an alternative remedy, isn't fair or reasonable in the circumstances.

If Mr F had contacted Admiral about his new medical condition as soon as reasonably possible after the point he was diagnosed, then Admiral would have been entitled to charge him an additional premium. I accept Mr F didn't contact Admiral when he should reasonably have done so, but I don't think this means Mr F should be impacted by a more detrimental outcome of Admiral only paying a percentage of his claim.

Generally speaking, I'd likely consider it would be fair and reasonable for an insurer to deduct the additional premium which a policyholder should have been charged to cover their change in health from any claim payment due. However, I don't think it's reasonable for me to reach this conclusion here.

I've taken into account what Admiral has told us about how it calculates additional premiums for changes in a policyholder's health. I accept the risk of claims may not be evenly spread across the term of an annual travel insurance policy. However, I don't think it's fair or reasonable for Admiral to deduct an additional premium from Mr F's claim settlement when that additional premium doesn't accurately reflect the length of time for which there was an alteration in the subject matter of the risk which Admiral had originally agreed to accept.

In any event, there are discrepancies in the additional premium figure quoted by Admiral in this case. Given there was an incorrect calculation of a proportionate claim settlement which I don't think it was fair or reasonable for Admiral to seek to apply in the circumstances in the first place and taking into account the overall circumstances of the case, I'm satisfied it would be fair and reasonable for Admiral to now disregard any additional premium which Mr F should have paid for a mid-term change in health declaration when calculating the claim

settlement due.

For these reasons, I'm satisfied it would be fair and reasonable in the circumstances for Admiral to now pay the remainder of Mr F's claim together with interest.

I understand Admiral already paid Mr F £75 compensation for the impact of its customer service issues. However, as I don't think Admiral acted fairly and reasonably when proportionately settling this claim, I think it should pay Mr F additional compensation for the distress and inconvenience he experienced as a result of this.

I'm satisfied that the payment of an additional £150 compensation would be fair and reasonable in the circumstances for the impact of the situation on Mr F.

### **Putting things right**

Admiral Insurance (Gibraltar) Limited needs to put things right and do the following:

- pay the remainder of Mr F's claim, subject to any applicable policy limits:
- add interest at 8% simple per annum on the outstanding amount due to Mr F, calculated from four weeks after the date the claim was made until the date the remaining settlement is paid:
- pay Mr F an additional £150 compensation for the distress and inconvenience he experienced<sup>1</sup>.

### **My final decision**

I'm upholding Mr and Mrs F's complaint about Admiral Insurance (Gibraltar) 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 Mr and Mrs F to accept or reject my decision before 31 March 2026.

Leah Nagle  
**Ombudsman**

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<sup>1</sup> If Admiral Insurance (Gibraltar) Limited considers that it's required by HM Revenue & Customs to deduct income tax from that interest, it should tell Mr F how much it has taken off. It should also give Mr F a tax deduction certificate if he asks for one, so he can reclaim the tax from HM Revenue & Customs if appropriate.