

The complaint

Mr L complains that Zurich Insurance Company Limited has turned down a cancellation claim he made on an annual travel insurance policy.

What happened

In May 2024, Mr L took out an annual multi-trip travel insurance policy to provide cover for him and for his child.

Unfortunately, in September 2024, Mr L was diagnosed with cancer. He underwent surgery and in October 2024, his doctor told him he was cancer-free.

Subsequently, in March 2025, Mr L booked a holiday abroad for him and for his child. They were due to travel in mid-April 2025. But unfortunately, Mr L was diagnosed with a different type of cancer. As he needed treatment, he was advised to cancel the trip. Mr L therefore cancelled the holiday and made a claim on the policy.

Zurich asked Mr L to provide medical and other evidence so it could assess his claim. While it wrongly told Mr L in mid-May 2025 that the claim was ready for payment to be raised, it later turned it down. That's because it said the policy terms required a policyholder to tell it about any changes in their health during the life of the contract. It considered that Mr L's cancer diagnosis in September 2024 was a change in health which he ought to have let it know about. As he hadn't done so, Zurich concluded Mr L's claim wasn't covered by the policy terms. But it did offer to pay Mr L £200 compensation to recognise the impact of error in wrongly informing him that the claim was ready to be paid.

Mr L was very unhappy with Zurich's position and he asked us to look into his complaint.

Our investigator thought it had been reasonable for Zurich to conclude that Mr L ought to have told it about his first cancer diagnosis prior to booking the trip in March 2025. And he was satisfied that if Mr L had done so, Zurich wouldn't have agreed to continue to offer him (or his child) cover and the policy would likely have been cancelled. So the investigator thought the fair outcome to the complaint would be for Zurich to pay Mr L a pro-rata refund of premium from the date of his initial cancer diagnosis until the policy end date, together with interest. And he considered the £200 compensation Zurich had already offered Mr L was fair.

Zurich accepted the investigator's view but Mr L did not. So the complaint's been 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.

Having done so, whilst I'm very sorry to disappoint Mr L, I agree with the outcome our investigator reached and I'll explain why.

First, I'd like to say how sorry I was to hear about Mr L's illness. It's clear this has been a very worrying and upsetting time for him. I'd also like to reassure Mr L that while I've summarised the background to this complaint and his detailed submissions to us, I've carefully considered all that's been said and sent.

The relevant regulator's rules say that insurers must handle claims promptly and fairly. And that they mustn't turn down claims unreasonably. I've taken those rules into account, amongst other relevant considerations, such as regulatory principles, the policy terms and the available evidence, to decide whether I think Zurich treated Mr L fairly.

I've first considered the policy terms and conditions, as these form the basis of the contract between Mr L and Zurich. In line with most other travel insurance policies on the market, Zurich's terms say that policyholders must tell it about any change in their health during the life of the policy. Page 15 of the contract says:

'You must tell us and consult with your medical practitioner if you or anyone else insured on this policy:

- i) Develops a new condition and/or*
- ii) There is a change to an existing medical condition and/or*
- iii) There is a change in medication.*

*You must do this by contacting...at the earliest opportunity and before you book or commence your journey, or pay the balance or any further instalments for your journey. **We have the right to amend the premium due and/or amend, restrict or cancel your cover under this policy.**' (My emphasis added.)*

This term is also set out on page 2 of Mr L's policy schedule. So I think Zurich set out the term in a clear, fair and not misleading way within its policy documentation.

Zurich considers that Mr L ought to have told it about his first cancer diagnosis, which was made in mid-September 2024. Mr L says that as his doctor told him he was cancer-free after surgery in September 2024, he didn't consider he had any medical complaints.

I've considered this point carefully. I accept that Mr L was told he was cancer-free following the September 2024 surgery. However, it seems to me that a diagnosis of cancer is a significant change in a person's health and it's clear that this was a new condition which had been diagnosed some months after Mr L's policy was taken out. Given the clarity of the policy terms, I think Mr L ought reasonably to have been prompted to realise that Zurich would want to know about this diagnosis so it could decide whether or not to continue to insure him – and if so, on what terms. So I think he ought to have contacted Zurich to tell it about his original cancer diagnosis (even taking into account a delay for his surgery and recovery) – and certainly before he booked the trip in March 2025.

Zurich has provided evidence from its underwriting team which states that if Mr L had contacted it to tell it about his change in health, it wouldn't have agreed to continue to provide insurance cover. That's because it says this type of policy doesn't cover pre-existing medical conditions. That's borne out by the policy terms. So I'm satisfied, on balance, that if Mr L had told Zurich about his cancer diagnosis before booking the trip in March 2025, it would have told him it couldn't continue to insure him (or his child, given their age at the time). I also think the policy terms make it clear this is a decision Zurich is reasonably entitled to take if the risk of a claim changes during the life of the policy.

In this particular case, it doesn't appear that Mr L had trips booked or that he'd paid out any travel costs before deciding to book the trip in March 2025. So at the time I think he should

have called Zurich to tell it about his change in health, there wouldn't have been a cancellation claim for it to consider. And I don't think I could fairly or reasonably tell Zurich to pay a cancellation claim in circumstances where Mr L didn't disclose a significant change in health ahead of holiday booking. This means I don't find Zurich acted unfairly when it turned down Mr L's and his child's cancellation claim.

However, like the investigator, I think it's most likely that if Zurich had told Mr L that it couldn't continue to insure him, he'd have chosen to cancel the policy. The contract cancellation terms say (in relation to annual policies):

'If you cancel outside of the 14-day cooling-off period, no premium will be refunded. However, discretion may be exercised in exceptional circumstances to provide a refund for unused cover, those exceptional circumstances being bereavement or an unexpected change to your health which prevents us from being able to continue providing cover.'

Given Zurich wouldn't have insured Mr L following his September 2024 diagnosis, I think this situation falls squarely within the exceptional circumstances set out in Zurich's cancellation terms. So I find that it's fair and reasonable for Zurich to pay Mr L a pro-rata refund of premium from 16 September 2024 (the date of first diagnosis) until the policy end date. And I agree that in these specific circumstances, it's fair and reasonable for Zurich to pay interest of 8% simple on that refund from 28 May 2025 onwards – the date Zurich concluded that Mr L's claim wasn't covered. This seems to me to be the date Zurich had all of the information it needed to make a full claims decision. I was pleased to note Zurich accepted this recommendation.

Turning to the way Zurich handled the claim, it's clear it wrongly told Mr L, on 14 May 2025, that his claim was ready to be paid. I appreciate that this would have created an expectation for Mr L that his claim would soon be settled and he'd receive the cancellation monies. I don't doubt how upsetting and frustrating it was for Mr L when, around two weeks later, he was informed that the claim wasn't covered and wouldn't be paid, during an already worrying period for him. So I think it's reasonable and appropriate for Zurich to pay Mr L compensation to reflect the impact of that mistake. In my view, the £200 compensation Zurich has already offered Mr L is fair, reasonable and proportionate to reflect the trouble and upset I find its error likely caused him. So I'm now directing Zurich to pay Mr L £200 compensation if it hasn't yet done so.

Putting things right

Zurich Insurance Company Limited must:

- Pay Mr L a pro-rata refund of premium from 16 September 2024 until the policy end date;
- Add interest to the settlement amount at an annual rate of 8% simple from 28 May 2025 until the date of settlement*⁺; and
- Pay Mr L £200 compensation if it hasn't already done so⁺.

*If Zurich considers that it's required by HM Revenue & Customs to deduct income tax from

that interest, it should tell Mr L how much it's taken off. It should also give Mr L a tax deduction certificate if he asks for one, so he can reclaim the tax from HM Revenue & Customs if appropriate

+ Zurich must pay the compensation within 28 days of the date on which we tell it Mr L accepts my final decision. If it pays later than this, it must also pay interest on the compensation from the deadline date for settlement to the date of payment at 8% a year.

My final decision

For the reasons I've given, my final decision is that I partly uphold this complaint and I direct Zurich Insurance Company Limited to put things right as I've outlined above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr L to accept or reject my decision before 10 April 2026.

Lisa Barham
Ombudsman