

The complaint

Mr and Mrs T complain about how Chaucer Insurance Company Designated Activity Company dealt with a claim against their travel insurance policy.

What happened

The details of this complaint are well known to both parties, so I won't repeat them again here in full. In summary, In August 2022, Mr and Mrs T bought an annual travel insurance policy underwritten by Chaucer. Mr and Mrs T planned a family trip. When they arrived at their destination on 12 March 2023, they discovered two bags were missing. They bought some essential replacement items. On 14 March 2023, one of the bags was returned to them but the second bag was lost and hasn't been returned to them.

The airline made a payment in relation to the lost items and bag. Mr and Mrs T made a claim against their policy. Chaucer settled Mr and Mrs T's claim for the lost bag, taking into account the amount Mr and Mrs T had already recovered from the airline. It said that the settlement didn't include an amount for the delayed bag as it had settled the claim for the lost bag. Chaucer referred to the policy provision which said that any amount paid under delayed baggage will be deducted from a claim for lost baggage.

Mr and Mrs T didn't think that was fair and pursued their complaint. They say that only one of their bags was lost and the majority of the essential replacement items they bought were to replace items in the bag that was returned to them, so relate to the delayed bag.

Mr and Mrs T say that the intention of the policy wording on which Chaucer seeks to rely is to prevent duplicate claiming for items delayed then lost but that doesn't operate fairly in their case. They say that they are unable to claim for certain items – for example, men's clothes and baby food – in the claim for lost baggage as they weren't lost but they are left out of pocket as they had to replace them before one of their bags was returned to them.

Mr and Mrs T want Chaucer to settle their claim for £178 for baggage delay, which they say is the amount they paid to replace delayed essential items and which aren't duplicated in their claim for lost baggage.

One of our investigators looked at what had happened. She didn't think that Chaucer had acted in accordance with the terms of the policy in declining Mr and Mrs T's claim for delayed baggage. The investigator said that delayed baggage is a separate benefit in the policy. She said that Mr and Mrs T had one bag that was delayed for 48 hours and returned to them and a second bag that was initially delayed then lost by the airline. The investigator thought that Chaucer should pay Mr and Mrs T's claim under the delayed luggage benefit, with interest.

Mr and Mrs T accepted the investigator's recommendation but Chaucer didn't. It said that it had paid Mr and Mrs T's claim under the personal effects section of the policy for

items in both bags. Chaucer relied on the policy term which provides that any claim it pays under the delayed baggage provisions will be deducted if the personal possessions turn out to be permanently lost. So, even though one bag was delayed and later returned, it has paid the claim under the personal effects section and any payment under delayed baggage provisions is deductible from the total claim, so there's no further payment warranted.

Chaucer asked that an ombudsman consider the complaint, so it was passed to me to decide.

My provisional decision

On 8 January 2024, I sent both parties my provisional decision in this case in which I indicated that I intended to uphold the complaint but with a different outcome than had been suggested before. I said:

'The relevant terms and conditions

The relevant part of the policy provides as follows:

'SECTION 6 – PERSONAL EFFECTS & BAGGAGE [...]

We will pay

1. Personal Baggage

*Up to the amount shown in the **Schedule of Cover & Limits** for the value of repair or replacement of **Your own Personal Possessions** [...] which is lost, stolen, damaged or destroyed (after making proper allowance for wear and tear and depreciation). [...]*

2. Delayed Baggage

*Up to the amount shown in the **Schedule of Cover & Limits** for the cost of buying replacement necessities if **Your own Personal Possessions** are delayed in reaching **You** on **Your Outward Journey** for at least twelve (12) hours and **You** have a written report from the carrier [...] or tour representative. Receipts will be necessary in the event of a claim. [...]*

*PLEASE NOTE: Any amount **We** pay **You** under 2. Delayed Baggage will be deducted from **Your** claim if **Your Personal Possessions** prove to be permanently lost. [...]*

The schedule of cover shows that for delayed baggage, Chaucer will pay £75 for each 12 hours of delay, up to £600 and without deduction of an excess.

Has Chaucer acted unfairly or unreasonably

The relevant rules and industry guidance say that Chaucer has a responsibility to handle claims promptly and fairly and it shouldn't reject a claim unreasonably. I intend to uphold Mr and Mrs T's complaint and I'll explain why:

- *Insurance policies aren't designed to cover every eventuality or situation. An insurer will decide what risks it's willing to cover and on what terms and set these out in the terms and conditions of the policy document. In general terms, insurers can decide what risks they wish to cover.*
- *I think that there's been some confusion in this case about the cover for delayed baggage. The policy doesn't reimburse Mr and Mrs T for the cost of replacement necessities following baggage delay. Instead, it pays a benefit of £75 for each 12*

hours of delay, up to a maximum of £600. I understand that it's common ground that one of Mr and Mrs T's bags was delayed for 48 hours. So, the benefit for delayed baggage in this case is £300.

- *The policy provides that any amount Chaucer pays for delayed baggage will be deducted from a claim for lost baggage. I agree with Mr T that this is to prevent duplicate claiming for items delayed then lost. That's not what happened in Mr and Mrs T's case.*
- *The unusual feature of Mr and Mrs T's claim is that one bag was delayed and another bag was delayed, then lost. So, there are two elements to the claim here. I don't think it's fair and reasonable for Chaucer to deduct the benefit of £300 for Mr and Mrs T's delayed luggage claim from the lost luggage claim. That's because the claim for lost baggage is separate from the claim for delayed baggage.*
- *In order to put things right, I intend to direct Chaucer to deal with Mr and Mrs T's claim for delayed baggage, taking into account what I've said above. It should also pay interest on the settlement at the simple rate of 8% per year, from the date of the claim to the date it makes the payment.*
- *Mr and Mrs T have also suffered inconvenience and were put to the trouble of having to pursue what should have been a straightforward claim. I intend to direct Chaucer to pay compensation of £100 in relation to Mr and Mrs T's inconvenience.'*

Responses to my provisional decision

Mr and Mrs T and Chaucer said that they had nothing further to add.

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.

Neither Mr and Mrs T nor Chaucer have provided any fresh information or evidence in response to my provisional decision. I therefore find no basis on which to depart from my earlier conclusions. So, for the reasons I've explained, I don't think it's fair and reasonable for Chaucer to deduct the benefit of £300 for Mr and Mrs T's delayed baggage claim from the lost baggage claim.

Putting things right

In order to put things right Chaucer should:

- Deal with Mr and Mrs T's claim for delayed baggage, taking into account what I've said above. It should also pay interest on the settlement at the simple rate of 8% per year, from the date of the claim to the date it makes the payment*.
- Pay Mr and Mrs T compensation of £100 in relation to their inconvenience.

*HM Revenue & Customs requires Chaucer to take off tax from this interest. Chaucer must give Mr and Mrs T a certificate showing how much tax it's taken off, if they ask for one.

My final decision

My final decision is that I uphold this complaint. Chaucer Insurance Company Designated Activity Company should now take the steps I've set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs T and Mr T to accept or reject my decision before 6 March 2024.

Louise Povey

Ombudsman