

## **The complaint**

Mr and Mrs B complain about the way that Great Lakes Insurance SE has settled a claim they made on a travel insurance policy.

## **What happened**

Mr and Mrs B were due to fly abroad in April 2023. However, despite checking-in and boarding their flight, they later had to disembark before take-off due to operational issues. They say the airline didn't offer them an alternative flight until more than 14 hours later.

So Mr and Mrs B arranged another flight with an alternative airline which departed the following day. However, their late arrival abroad meant they lost out on the use of their hotel for one night. Their original airline refunded the cost of the unused flight. But it declined to pay for Mr and Mrs B's one night of unused accommodation. So Mr and Mrs B made a claim on their travel insurance policy.

Initially, Great Lakes turned down Mr and Mrs B's claim. It assessed the claim in line with the missed departure section of the policy and concluded that the circumstances weren't covered by the policy terms. So Mr and Mrs B asked us to look into their complaint.

After the complaint had been brought to us, Great Lakes offered to settle Mr and Mrs B's claim under the delayed departure section of the policy. But it didn't agree to pay their hotel costs under the abandonment provisions of the contract. That's because it said Mr and Mrs B's departure had been delayed, not abandoned. Instead, it offered to pay them £25 travel delay benefit per person in line with the policy terms for their actual period of delay.

Mr and Mrs B remained unhappy with Great Lakes' position and therefore, our investigator considered whether Great Lakes' offer was fair and reasonable.

The investigator thought Mr and Mrs B's complaint should be upheld. While he acknowledged that strictly, Mr and Mrs B hadn't abandoned their trip, he considered that they'd been entitled to do so and make a claim on the policy for their irrecoverable cancellation costs. Instead, the investigator felt that by making new travel arrangements to allow the trip to go ahead, Mr and Mrs B had mitigated Great Lakes' potential losses. And therefore, he thought it would be fair and reasonable for Great Lakes to pay Mr and Mrs B's additional travel expenses, together with interest.

Great Lakes disagreed. It maintained that the claim had been correctly assessed under the travel delay provisions. And it said that a policyholder wasn't entitled to both travel delay benefit and abandonment cover.

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, I've decided to uphold this complaint and I'll explain why.

The relevant regulator's rules say that insurers must handle claims promptly and fairly. And that they mustn't turn down claims unreasonably. So I've considered, amongst other things, the terms of Mr and Mrs B's policy and the circumstances of this claim, to decide whether I think Great Lakes treated Mr and Mrs B fairly.

I've first considered the policy terms and conditions, as these form the basis of Mr and Mrs B's contract with Great Lakes. Strictly, Mr and Mrs B's departure abroad was delayed by around 12 hours. Therefore, I don't think it was unreasonable or inappropriate for Great Lakes to consider their claim under the travel delay and abandonment section of the contract. This says:

*'This section of the Policy sets out the cover We provide to each Insured Person in total per Insured Journey, up to the sums insured shown in the "Table of Benefits", in the event of Your unavoidable delay in departure of at least 12 hours from Your original scheduled departure time from Your first departure point on Your outward journey or Your last departure point on Your return journey as a result of:*

...

- *Cancellation by the transport provider of Your scheduled pre-booked international flight, ferry, train or coach.*

#### *What is covered*

##### *1. Travel delay benefit:*

- a. For each complete 12 hours of delay; or*
- b. In the event of 4. (cancellation by the transport provider), corresponding to the delay in departure that You would have experienced had You waited for the earliest replacement travel arrangements offered by Your original transport provider, in the event that You choose to make earlier alternative travel arrangements.*

##### *2. In the event that You decide to abandon Your outward trip, the cost of:*

- a. Your unused non-refundable pre-booked travel and accommodation expenses which You have paid or are contracted to pay...'*

There's no dispute that Mr and Mrs B's departure was delayed by more than 12 hours due to the effective cancellation of their pre-booked flight by the airline. And it's common ground that Mr and Mrs B were able to arrange alternative transport to allow them to take their planned trip, even if they travelled a few hours later than planned. So by offering to pay Mr and Mrs B departure benefit for their actual period of delay, I think Great Lakes has offered to settle the claim in line with a strict interpretation of the contract terms.

However, I can depart from a strict interpretation of the policy terms if I feel their application produces an unfair result. And that's the case here, as I'll explain.

After Mr and Mrs B's departure had been delayed by more than 12 hours, they were entitled to abandon their trip and make an abandonment claim on the policy. If they had done so, Great Lakes would have been liable to pay Mr and Mrs B's full, irrecoverable cancellation costs, up to the policy limit of £3000 per person.

Instead, Mr and Mrs B chose not to cancel their trip entirely. Instead, they mitigated Great Lakes' potential losses by making new travel arrangements and continuing with their trip as planned, albeit a day later. I'm satisfied too that they were unable to recover this cost from

the original airline. In my view then, it would be fair and reasonable for Great Lakes to settle Mr and Mrs B's additional travel costs up to the amount it would have been liable to pay under the abandonment limit of the policy and in line with the remaining terms of the policy. Great Lakes must also add interest to the settlement at an annual rate of 8% simple from one month after the date of claim until the date of settlement.

I've considered whether it would be fair and reasonable for Great Lakes to deduct the delayed departure benefit it's already offered Mr and Mrs B from any settlement it might pay. On the specific facts of this case, I don't think it would. I say that because, firstly, the policy doesn't state that a policyholder can only claim for either delayed departure or abandonment cover.

And I've borne in mind too that delayed departure benefit is intended to cover the incidental expenses of being delayed, such as food costs and other associated expenses during a period of delay. Given Mr and Mrs B's departure did eventually take place and given I think it's likely that they did incur incidental costs during the period of delay, I don't find it would be reasonable for Great Lakes to make any deduction for delay benefit from the settlement.

Overall then, I don't think that Great Lakes has handled Mr and Mrs B's claim fairly. And I direct it to settle things in the way I've outlined above.

### **My final decision**

For the reasons I've given above, my final decision is that I uphold this complaint.

I direct Great Lakes Insurance SE to:

- Assess and pay Mr and Mrs B's claim in line with the abandonment section of the policy and subject to the remaining policy terms and conditions. It must interest to this amount at an annual rate of 8% simple from one month after the date of claim until the date of settlement\*; and
- Pay Mr and Mrs B £25 delay benefit each – a total of £50.

\*If Great Lakes considers that it's required by HM Revenue & Customs to deduct income tax from that interest, it should tell Mr and Mrs B how much it's taken off. It should also give Mr and Mrs B a tax deduction certificate if they ask for one, so they can reclaim the tax from HM Revenue & Customs if appropriate.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs B and Mr B to accept or reject my decision before 3 April 2024.

Lisa Barham  
**Ombudsman**