

The complaint

Mrs M and Mr S have complained that UK Insurance Limited (UKI) declined a claim they made on a travel insurance policy linked to Mr S's bank account.

As it is Mr S leading on the complaint, I will mostly just be referring to Mr S in this decision.

What happened

Mr S and his family were due to go on holiday abroad, flying out on 16 July 2023 and returning on 29 July 2023. He began to be concerned about wildfires in the country they were travelling to. So, on 28 June 2023 he rang UKI to ask if he would be covered if he wanted to cancel the holiday. He was told that wildfires are classed as natural disasters which are covered under the policy.

Mr S rang UKI back on 30 June 2023 to double check if he would be covered for cancellation. This time he was advised that he would only be covered for wildfires if his accommodation was directly affected. The adviser checked the city that Mr S was due to travel to (which I'll call City A) and found that it wasn't directly affected by the fires. However, Mr S was concerned about the air quality in the city and the affect it would have on his family's health. He was told that he wouldn't be covered if he cancelled for this reason.

In the end, Mr S decided not to cancel the trip. They used their planned outward and return flights. But instead of staying in or around city A for the whole period, they spent a few days there at the start and end of the holiday and in the middle they flew to another country for a week.

Mr S's claim is for the additional costs incurred in amending the trip. UKI declined the claim on the basis that the circumstances were not covered under the policy terms. In responding to the complaint, UKI accepted that it had provided poor service, so it offered £250 compensation. However, it maintained its decision to decline the claim.

Our investigator thought that UKI had acted fairly and reasonably in declining the claim. And she also thought that £250 was appropriate compensation for the errors that had occurred.

Mr S disagrees with the investigator's opinion and so the complaint has been passed to me for a decision.

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.

I've carefully considered the obligations placed on UKI by the Financial Conduct Authority (FCA). Its 'Insurance: Conduct of Business Sourcebook' (ICOBS) includes the requirement for UKI to handle claims promptly and fairly, and to not unreasonably decline a claim.

Insurance policies aren't designed to cover every eventuality or situation. An insurer will decide what risks it's willing to cover and set these out in the terms and conditions of the policy document. The test then is whether the claim falls under one of the agreed areas of cover within the policy.

Looking at the policy terms, under the cancellation section of the policy, it states:

'We will pay up to £5,000 for each insured person for their portion of the trip costs if you have to cancel your trip ...

Reasons for cancellation

10. Natural disaster; you are unable to use your pre-booked and pre-paid accommodation due to the immediately surrounding area being badly affected a natural disaster.'

'Fire' is included within the definition of 'Natural disaster'.

Mr S says he is at a disadvantage as the terms have been written by top lawyers. Because he isn't a lawyer, he should be given the benefit of the doubt. If the policy terms were ambiguous, then it's likely I would say they should be interpreted in Mr S's favour. But I don't think there is anything unclear about the above term, as it sets out that cancellations due to nature disasters are only covered if that has resulted in someone being unable to use their booked accommodation.

During the phone call on 28 June 2023 the adviser correctly stated that wildfires are covered under the policy. But she omitted to say that would only be the case if they weren't able to stay where they had booked to stay.

There's no doubt that this call would have led Mr S to believe that he would be able to cancel the trip and that UKI would pay out on the claim. Had Mr S acted on that misinformation, there's an argument that it would be fair for UKI to cover the claim. However, he didn't cancel the trip following this call.

He rang UKI again on 30 June 2023 to double check the information he had been given. This time he was correctly told that the circumstances weren't covered. Following this call, Mr S would have been aware that any claim would only be covered if a) he was unable to stay in his accommodation as a result of the wildfires and/or b) the Foreign, Commonwealth and Development Office (FCDO) advised against travel to the region.

Mr S's response to this information shows that he understood that he wouldn't be covered for cancellation. Because instead of cancelling the trip, he chose to amend the itinerary so that he and the family wouldn't be spending the entire time in City A.

Mr S says that the chain of events should be looked at as a whole and that it was the conversation on 28 June 2023 that was the sole reason for him amending the travel plans. But I'm not persuaded that was the case. He amended the travel plans after the phone call on 30 June 2023. He's said himself that the call caused him to go to plan B to limit the damage – it meant they'd be able to go on holiday during the original timeframe, not lose the amount paid for the plane tickets and not be so affected by the poor air quality.

Had he been given the correct information on the 28 June 2023, the outcome would likely have been the same – with him choosing to amend the trip, with the additional costs that involved.

I have sympathy for Mr S's situation. Obviously, the wildfires were outside of his control. And I appreciate why he took steps to amend his travel plans. Having understood that he'd be unable to make a claim for cancellation, he decided to go ahead with the holiday anyway. But, being concerned about his family's health, he made changes to mitigate their exposure to the poor air quality. The question is whether those circumstances are covered under the policy terms – and I don't think that they are.

His destination and accommodation were not directly affected by the wildfires, which is a requirement under the cancellation terms. And, in any event, Mr S didn't cancel the trip. There is no cover under the policy for amendments to travel itineraries as a result of wildfires.

I've thought very carefully about what Mr S has said. However, on balance, I'm satisfied that it was fair and reasonable for UKI to decline the claim, in line with the policy terms and conditions.

There's no doubt that UKI's service fell short of what Mr S had the right to expect. The main failing was the misinformation provided in the call on 28 June 2023. As a result, Mr S spent two days believing that he'd be able to make a successful claim if he were to cancel the trip. However, that issue was resolved on 30 June 2023 when he was given the correct information.

Mr S also didn't receive a call back as promised. And in August 2023, he was contacted by UKI and led to believe that it might cover his claim after all, only for it to then revert to the decline.

I can understand why Mr S thinks that he should receive a greater amount of compensation. However, as an informal dispute resolution service, our awards are more modest than people might expect and different to what a court might award. On balance, I'm satisfied that £250 is reasonable and proportionate compensation for the distress and inconvenience caused. My understanding is that UKI has so far paid £150 to Mr S.

My final decision

My decision is that UK Insurance Limited correctly declined the claim and that its offer of £250 compensation for poor service is reasonable, so I won't be asking it to do anything more. However, it should now pay the remainder of the compensation if it hasn't already done so.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs M and Mr S to accept or reject my decision before 10 April 2024.

Carole Clark
Ombudsman