

The complaint

Mr and Mrs F have complained that Red Sands Insurance Company (Europe) Limited has retained the excess on a cancellation claim they made on a travel insurance policy.

What happened

After booking a holiday and taking out the insurance policy, Mrs F was diagnosed with a serious illness. When they disclosed her change of health to Red Sands, it said that it could no longer provide cover. Being without insurance, Mr and Mrs F decided to cancel the holiday. In such a circumstance, the policy provides cover for cancellation.

Mr and Mrs F therefore made a claim, which was accepted by Red Sands in November 2023. However, it deducted a £200 excess (£100 per person) from the settlement amount.

I wrote a provisional decision earlier this month in which I explained why I was thinking of upholding the complaint. Both parties accepted the findings of the provisional 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 Red Sands by the Financial Conduct Authority (FCA). Its 'Insurance: Conduct of Business Sourcebook' (ICOBS) includes the requirement for Red Sands to handle claims promptly and fairly, and to not unreasonably decline a claim.

As explained in my provisional decision, under the cancellation section of the policy, it is the case that any claims would normally be subject to an excess. However, on page 10 of the policy, it states:

'Change of circumstances (including change in your health)

We may, in the light of such changed circumstances, not be able to continue cover under this insurance. In this instance we will cover you for any loss of deposit or cancellation charges (if your cover includes cancellation cover) you have necessarily incurred up to the date of the change of circumstances that are normally covered under Cancellation Policy A section 1 of this insurance, in these circumstances no policy excess will be applied. Alternatively, we will provide a full refund for single trip policies, or pro-rata refund for annual multi-trip policies following the terms of the 'cancelling your policies' section of this wording, provided there has been no claim(s) made under this insurance.'

This clause relates to exactly the scenario faced by Mr and Mrs F. And it is clear from the above wording that no excess should be applied in such circumstances.

Red Sands has accepted that it should not have deducted the £200 excess. In response to my provisional decision, it apologised for the oversight and said that feedback had been provided to the relevant department

As also explained in my provisional decision, I would expect Red Sands to have a good understanding of what its own policy says. Because it didn't, that put Mr and Mrs F to the time and trouble of having to make a complaint. Upon receiving the complaint, Red Sands had the opportunity to correct the error made by its claims handlers. However, it again failed to look at the policy terms to identify that the excess should not have been deducted.

I have no doubt that this caused Mr and Mrs F some stress. Not least because they were having to deal with this at the same time as having to come to terms with Mrs F's diagnosis and the disappointment of having to cancel their holiday.

Therefore, in addition to now paying the £200 that it retained as an excess, Red Sands should also pay Mr and Mrs F an extra £150 for the distress and inconvenience caused.

As both parties agreed, I see no reason to depart from the outcome reached in my provisional decision. It follows that I uphold the complaint.

My final decision

For the reasons set out above, my final decision is that I uphold the complaint and require Red Sands Insurance Company (Europe) Limited to pay a total of £350, that being the £200 excess that it retained plus an additional £150 compensation for distress and inconvenience.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs F and Mr F to accept or reject my decision before 14 June 2024.

Carole Clark

Ombudsman