

The complaint

Mr and Mrs Y have complained about the deductions AWP P&C SA made on a claim they made on a travel insurance policy.

What happened

Mr and Mrs Y booked a trip and bought the insurance at the same time. The holiday was due to start on 13 October 2023. However, shortly beforehand, Mrs Y was advised not to travel by a doctor. They therefore cancelled the trip and made a claim on the insurance policy.

The amount being claimed for was £3148.11. AWP agreed the claim but paid a settlement amount of £2,741.55. It reached that sum as it had made the following deductions:

- £361 for insurance premium
- £26 for air passenger duty (APD)
- £7.84 for airline failure charge
- £6.72 for supplier failure charge
- £5 for ATOL

In response to the complaint, AWP acknowledged that there had been unnecessary delays in handling the claim and offered £75 compensation. However, it maintained that the correct claim payment had been made.

I wrote a provisional decision earlier this month in which I explained why I wasn't thinking of upholding the complaint and inviting the parties to make any further submissions they may wish. Both AWP and Mr and Mrs Y responded to say that they had nothing further to add, although AWP confirmed that it had already paid the £75 compensation.

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 AWP by the Financial Conduct Authority (FCA). Its 'Insurance: Conduct of Business Sourcebook' (ICOBS) includes the requirement for AWP to handle claims promptly and fairly, and to not unreasonably decline a claim.

As I explained in my provisional decision, Mr and Mrs Y's claim was for £3,148.11. That was understandable in a way, because that's the total amount they paid to the travel agent. But they didn't buy travel insurance separately and then pay £3,148.11 for the holiday and incidental expenses. The £361 for the policy was included in the £3,148.11.

I'd previously said that I presumed Mr and Mrs Y had been willing to pay for travel insurance to cover their trip, whether they ended up needing to claim on it or not. As they had no

comments in response to my provisional decision, I take that as confirmation that they agreed with that statement.

If AWP hadn't deducted the cost of the policy from the claim settlement, that would be akin to giving them the policy for free. That wouldn't be fair, particularly as they had active cover and went on to make a successful claim.

Therefore, I'm satisfied that it was reasonable for AWP to deduct the policy premium from the claim amount.

Looking again at the other deductions that were made:-

Under the cancellation section, the policy provides cover for unused accommodation and travel. There is no cover for airline and supplier failure charges. I've looked at the remainder of the policy wording to see if there were any other sections under which that part of the claim could be considered. However, loss of those particular charges does not fall within the wider scope of the policy.

Within the 'General conditions' of the policy, it states that the policy will not pay out for amounts that are recoverable elsewhere. As Mr and Mrs Y didn't use their flights, they can claim back the APD from the airline. They should also be able to make a claim to ATOL for the £5 charge. So again, I'm satisfied that AWP had correctly declined these elements of the claim, in line with the policy terms and conditions.

As neither party provided any further substantive comments, I see no reason to depart from the outcome reached in my provisional decision. It follows that I do not uphold the complaint.

My final decision

For the reasons set out above, I do not uphold the complaint. As AWP P&C SA has already paid the £75 compensation for delay and inconvenience, I am not asking it to do anything more.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr Y and Mrs Y to accept or reject my decision before 12 August 2024.

Carole Clark

Ombudsman