

The complaint

Mr and Mrs D have complained that AMERICAN INTERNATIONAL GROUP UK LIMITED (AIG) declined a claim they made on a travel insurance policy linked to their bank account.

What happened

Mr and Mrs D were due to go on holiday abroad, departing on 20 November 2023. Unfortunately, a relative (Mr M) died suddenly on 14 November 2023, necessitating the cancellation of the trip.

Mrs D rang AIG on 15 November 2023 enquiring about cover under the policy. She explained that Mr M was Mr D's cousin. However, she also explained that they were Mr M's next of kin as he had no other living relatives. The adviser put the call on hold whilst she sought advice from a team leader. On returning to the call she said that both herself and the team leader agreed that next of kin was listed, so as long as Mrs D could provide evidence that Mr D was the deceased's next of kin, that would be fine.

Upon making the claim, AIG declined it on the basis that Mr M was not Mr D's next of kin.

In responding to the complaint, AIG maintained its decision to decline the claim. But it didn't address the issue about the adviser, and team leader, confirming over the phone that the claim would be covered.

Our investigator thought that AIG had fairly declined the claim, in line with the policy terms. However, he thought that Mr and Mrs D's expectations hadn't been managed properly and that their concerns were not fully addressed. Therefore, he recommended that AIG should pay £250 compensation for distress and inconvenience.

I wrote a provisional decision earlier this month in which I explained why I was thinking of upholding the complaint in full. Mr and Mrs D responded to say they agreed with my outcome. No response was received from AIG.

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

'Here's a list of reasons we'll accept for cancelling your trip:

If you, or a relative, dies or becomes seriously ill or injured. By relative, we mean a spouse, partner (who you are living together with), parent, sibling, child, grandparent, grandchild, step-parent, stepchild, step-sibling, aunt, uncle, niece, nephew, fiancé(e) or your next of kin.

This only applies if you had no reason to think it might happen when the account holder opened the account, turned on the insurance benefits or the trip was booked, whichever is later.

Mr M was actually Mr D's cousin-in-law, being the widower of Mr D's cousin. Neither cousin nor cousin-in-law forms part of the definition of 'relative'.

AIG initially indicated that the claim would be covered as the relationship between Mr D and Mr M was that of 'next of kin'. However, the reason the claim was then declined was that the deceased needed to be the policyholder's next of kin. In this case, whereas Mr D was Mr M's next of kin, Mr M was not Mr D's next of kin.

Therefore, on a strict interpretation of the policy terms, the claim may not be covered. However, as I explained in my provisional decision, I can depart from a strict application of the contract terms if I conclude they produce an unfair result.

Mr M had no other living relatives. His wife, sister, parents and parents-in-law had all died, and he had no children. Therefore, as already mentioned, Mr D was his closest living relative.

As I also explained in my provisional decision, Mr and Mrs D had a very close relationship with Mr M, particularly after his wife (Mr D's cousin) had died. They visited regularly, did his shopping and were really acting as his unofficial carers. It was Mr D who registered the death, Mr and Mrs D were named as executors in the will and there was no-one else to deal with the practicalities of the situation and arrange the funeral.

Whilst it's up to AIG to word its standard definitions as it chooses, when looking at what is fair and reasonable in the circumstances, I'm giving consideration to whether the relationship in reality is very similar to one of the covered relationships. I'm satisfied that the relationship between Mr D and Mr M was sufficiently close that AIG should consider the claim.

As neither party disagreed, I see no reason to depart from the outcome that I reached in my provisional decision. It follows that I uphold the complaint.

Putting things right

AIG should:

- Reassess the claim, in line with the remaining terms and conditions of the policy, but treating Mr M as having met the definition of 'relative'.
- Pay Mr and Mrs D £250 for distress and inconvenience

My final decision

My final decision is that I uphold the complaint and require AMERICAN INTERNATIONAL GROUP UK LIMITED to put things right as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr D and Mrs D to accept or reject my decision before 25 October 2024.

Carole Clark
Ombudsman