

The complaint

Mr and Mrs D complain about the way that AWP P&C SA has settled a cancellation claim they made on a travel insurance policy.

What happened

Mr and Mrs D hold travel insurance as a benefit of their packaged bank account.

Mr and Mrs D were due to go abroad on holiday in September 2022. Unfortunately, Mrs D was diagnosed with a serious illness and was unable to travel. Mr D says he contacted AWP to discuss potential options. He says that during the call, AWP told him that if the cost of rebooking the trip was lower than the cost of cancellation, then AWP would cover any amendment costs he and Mrs D incurred.

So Mr and Mrs D say that on that basis, they rebooked their holiday for the following year, travelling in September 2023. They'd been able to obtain refunds for some elements of their trip and they'd been given credit vouchers for other elements of it. They were unable to recover around £348.90 of their original booking costs. Mr and Mrs D learned that the costs of rebooking their trip in September 2023 would cost significantly more than their original holiday. The original trip had cost around £9930. But the cost of rebooking the trip was around £14,700 – an increase of over £5050. So they made a claim on their policy for additional rebooking costs they'd incur.

AWP considered Mr and Mrs D's claim in line with the cancellation section of the policy. It settled their unrecoverable costs of £348.90, less the policy excess. However, it felt Mr and Mrs D had recovered the majority of their trip costs from their holiday providers. It acknowledged that in some circumstances, it might cover the costs of an amendment fee to rebook a holiday, if the fee was less than AWP's liability for a cancellation claim would be. In this case though, it considered that the cost of amending Mr and Mrs D's holiday was substantially more than its liability under the cancellation section of the policy. So it didn't agree to pay anything more.

Mr and Mrs D were unhappy with AWP's decision and they asked us to look into their complaint. They said that they'd relied on Mr D's initial conversation with AWP when deciding whether to cancel or rebook their trip. They told us that if they'd known AWP wouldn't pay their additional costs of amending the trip, they would've cancelled the holiday and would've been entitled to a full refund of their booking costs under the policy terms. So they felt they'd lost out as a result of the information they'd been given by AWP.

Our investigator didn't think Mr and Mrs D's complaint should be upheld. AWP hadn't been able to provide a copy of the call between Mr D and its claims team. But it accepted that Mr D likely had been told that it would cover an amendment fee if this was less than its liability under the cancellation section of the policy. So while the investigator couldn't listen to exactly what was said, he felt it was most likely that Mr D had been told that AWP would pay an amendment fee if it was lower than the cost of cancelling a trip.

However, the investigator felt that even if Mr D had been given this information, it didn't

mean that AWP needed to pay Mr and Mrs D's rebooking costs. That's because the policy terms stated that AWP wouldn't pay any costs which were recoverable from the trip providers. In this case, Mr and Mrs D had been able to recover £9964.76 of their original trip costs of around £9930 from their providers, in the form of credit vouchers and refunds. And AWP had settled Mr and Mrs D's irrecoverable costs in line with the policy terms. So he concluded that even if Mr and Mrs D had chosen to cancel their trip in 2022 rather than rebook it, AWP's liability would've been limited to their irrecoverable costs of £348.90, which were less than the cost of rebooking the trip. On that basis, he felt AWP had settled the claim fairly.

Mr and Mrs D disagreed. In brief, they said that had they cancelled the trip in 2022, they would have received nothing, as the cancellation was so close to the departure date. Their options had been to cancel and receive nothing or receive a credit voucher. They were very frustrated that AWP couldn't provide copies of the call recording(s), as Mr D said he'd been very clear with AWP what his plans were. They were now in the situation where they have a large bill to pay to try and recover the holiday or write it off the trip as a loss.

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, whilst I'm very sorry to disappoint Mr and Mrs D, I think AWP has settled their claim fairly and I'll explain why.

First, I was sorry to hear of the circumstances which led to Mr and Mrs D's claim and I don't doubt how upsetting and worrying it was when Mrs D was diagnosed with a serious illness. I do hope she's made a good recovery.

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 D's policy and the specific circumstances of their claim, to decide whether AWP treated them fairly.

It's clear that Mr and Mrs D feel strongly that AWP led them to believe that their rebooking fees would be covered if these costs were less than the cost of cancelling the trip. They've told us that this conversation (amongst others) took place prior to their decision to rebook the holiday and accept credit vouchers for some elements of their original booking. Unfortunately, AWP doesn't have a record of this conversation (and its claims notes don't include records of these discussions either), so I can't know exactly what was said or how things were explained. AWP accepts though that in some circumstances, if the cost of amending a holiday is less than the cost of cancelling it, it will pay the amendment fee. So it acknowledges that it's likely Mr D was given this information.

However, it doesn't follow that AWP will necessarily be liable for amendment fees in all circumstances. I think that AWP's likely intention in situations such as these is to take into account what its *contractual* liability would be if a policyholder's pre-booked trip was cancelled - taking into account the specific circumstances of the claim - and to compare that liability with the cost of amending the trip to new dates. If the amendment cost is lower than the settlement AWP would pay in the event of cancellation, AWP says it will cover the amendment fee.

In this case, however, I don't think there's enough evidence to show that the costs of

rebooking Mr and Mrs D's holiday were less than AWP's liability under the cancellation section of the policy and I'll explore this further.

I've carefully considered the policy terms and conditions, as these form the basis of Mr and Mrs D's contract with AWP. The cancellation section of the policy sets out the 'insured events' it covers for unused costs a policyholder incurs if they need to cancel their trip. One of these 'insured events' is a policyholder's illness.

In this case, there's no dispute that Mr and Mrs D's holiday was cancelled as a result of Mrs D being diagnosed with a serious illness. But the policy also includes a list of things that AWP doesn't cover. One of these states that AWP doesn't cover:

'Any unused or additional costs incurred by you recoverable from:

a) The providers of the accommodation, their booking agents, a travel agent or another compensation scheme.

b) The providers of the transportation, their booking agents, a travel agent or another compensation scheme such as ABTA – The Travel Association or Air Travel Organisers' Licensing (ATOL).'

I think the policy wording makes it clear that AWP doesn't cover costs which can be recovered from, amongst other sources, a policyholder's holiday providers. Most, if not all, policies require a policyholder to try and recover their costs before the insurer will agree to settle a claim. In this case, Mr and Mrs D were able to recover £9664.76 of their original booking costs of £9932, in the form of credit vouchers and refunds. So I think it was fair for AWP to conclude that Mr and Mrs D hadn't suffered financial losses for these bookings when it assessed the claim, because the credit vouchers and refunds covered 97% of the value of their trip. Even if Mr and Mrs D had made a cancellation claim at that point then, AWP wouldn't have needed to include their recovered costs in any settlement. This means that AWP's contractual liability was limited to the difference between their original trip costs and the amounts they'd been able to get back.

Mr and Mrs D say that their providers only agreed to offer credit vouchers because of their specific circumstances and that had they cancelled the trip, they would have been liable for the cancellation fees which would usually apply. They've provided an email which says that had they cancelled their flights, they would've been liable to pay 60% of their flight costs. So they feel their actual losses would've been substantially higher had they opted to cancel the trip rather than accept the credit vouchers. However, I think AWP was entitled to assess the claim in line with Mr and Mrs D's *actual* financial losses, rather than their potential losses. As such, I find it was fair for AWP to calculate its liability by taking into account the credit vouchers and refunds Mr and Mrs D received.

I think that had Mr and Mrs D's rebooking fees been less than AWP's contractual liability under the terms of the policy, AWP would most likely have met their rebooking costs. But given the refunds and credit vouchers they received, it's simply the case that Mr and Mrs D's *actual* cancellation losses were substantially less than their rebooking costs. So I think AWP acted reasonably when it settled Mr and Mrs D's claim under the cancellation provisions, rather than agreeing to pay their rebooking fees.

It's clear that Mr and Mrs D do need to pay a significant further amount to take their rebooked holiday later this year and I sympathise with their position. However, I need to bear in mind that the policy simply doesn't cover the additional rebooking costs a policyholder incurs if the price of a holiday increases over time. So I don't think I could fairly or reasonably tell AWP to pay these costs outside of the contract terms.

So, as I've set out above, I think AWP has calculated settlement fairly and reasonably. So I'm not directing it to pay anything more.

My final decision

For the reasons I've given above, my final decision is that I don't uphold this complaint.

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 1 August 2023.

Lisa Barham
Ombudsman