

## **The complaint**

Mr S has complained that UK Insurance Limited (UKI) declined two claims he made on his travel insurance policy due to alleged fraud, has cancelled the policy and requested reimbursement of its investigation costs.

## **What happened**

Both of Mr S's claims stem from the same trip to Pakistan. The first one was a personal liability claim relating to a fire in a shop on 25 April 2022. The second one was a medical expenses claim relating to an injury he incurred on 9 May 2022.

Following investigation, UKI concluded that Mr S was acting fraudulently in relation to both claims. It therefore declined the claims and cancelled the policy from 25 April 2022. Additionally, UKI is seeking reimbursement from Mr S of the £12,021.24 costs of its investigations.

Our investigator thought that UKI had acted reasonably and that it was fair that it had relied on the available evidence to conclude that the claims were fraudulent.

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.

Mr S has made lengthy and substantial representations to this service. I'm not going to re-state them all here, although I'd like to reassure Mr S that I have read and fully considered everything he has provided. Instead, I'm going to focus on the heart of the matter, which is whether or not UKI has reasonably invoked the fraud condition when declining the claims.

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.

The policy wording states that:

*'You must be honest in your dealings with us at all times. We will not pay a claim which is in any way fraudulent, false or exaggerated. If you, any insured person or anyone acting on your behalf attempts to deceive us or knowingly makes a fraudulent, false or exaggerated claim we may: cancel your insurance; refuse your claim and any future claims; keep any premium you have paid.'*

### Personal liability claim

Mr S says that he accidentally dropped a cigarette in a cloth shop which then caused damage to some of the stock. Later the same day he attended an oath commissioner's office with the shopkeeper, signing a document accepting responsibility for the damage. He reached agreement with the shopkeeper to compensate him for the amount of just under 9.5 million Pakistani rupees, which equated to about £36,000 at the time.

UKI commissioned an investigation in Pakistan and Mr S was also interviewed by its solicitors in the UK. UKI's concerns stem from a number of discrepancies and inconsistencies. I'm not going to set them all out here, but they include:

- Mr S saying the fire was in a small area in the basement and the flames were no more than one metre high. As far as he knew, the shopkeeper had put out the fire by standing at the bottom of the stairs and using a fire extinguisher, whilst Mr S was standing behind him. But he has supplied a photo taken from street level showing more significant flames on the ground floor. Mr S said the image had been given to him by the shopkeeper and he couldn't explain it as the damage had not spread to that part of the shop when he was there.
- When Mr S first notified UKI of the claim he had said that the fire took almost half an hour to extinguish after continuously hard work. But in his later interview he'd said the fire was out within about five to seven minutes.
- Following the inconsistency in the images being pointed out to him, Mr S said the fire reignited after he had left, but the shopkeeper never mentioned this to him at the time. However, Mr S had already previously stated that, after the fire, he had taken the shopkeeper to sit in his friend's car to calm down and talk properly. That in turn contrasts with what he said at interview, which is that he'd left the shop on his own.
- UKI's investigators in Pakistan had visited the shop and wider market in which it was located and hadn't been able to find any evidence that a fire had occurred.
- The compensation agreement states that over 2,000 units of cloth were damaged, which would suggest a much larger fire than described by Mr S. And Mr S didn't take any steps to verify the level or cost of the damage for himself. Instead, he said he trusted that his friend, who was an acquaintance of the shopkeeper, had checked the calculations.
- There were no photos of the premises after the fire which showed the damage. Instead, the shopkeeper provided photos of damaged cloth taken at a location that was unknown to Mr S. Mr S assumes the shopkeeper removed the damaged cloth to another venue and the photos were taken there.

Following its enquiries, UKI wrote to Mr S on 6 March 2023, asking for clarification on a number of points. He was asked to provide any evidence he may have that a fire had occurred as he had described. He was also asked to provide further comment on how the loss was calculated.

In his written response dated 8 March 2023, Mr S didn't provide any evidence to prove the fire had taken place. Instead, he queried the methods and findings of the investigators and entered into speculation about what might have happened, such as all the market staff that were spoken to being new and how the shop might have moved, or maybe even closed. He also mentioned external factors such as inflation. He said he didn't argue that much about the cost because he had the peace of mind of being covered by insurance.

Given the nature of the claim, and Mr S still being in touch with the shopkeeper, it should have been relatively easy for Mr S to provide some actual evidence to support his position

that a fire had occurred as he described. It's not surprising that UKI's concerns were not alleviated by Mr S's response.

Mr S has since tried to further explain the discrepancies and puts them down to misunderstandings and miscommunication. He says that human nature means that he was never going to remember events precisely and so his account would naturally vary at times. But the inconsistencies in this case are significant, rather than Mr S simply mis-remembering some minor details. UKI has said that Mr S's further explanations don't ring true and I agree that they lack credibility.

Based on the available evidence, I think that UKI was rightly concerned about the information provided by Mr S. It was fair and reasonable for it to undertake further enquiries and then to rely on the outcome of those enquiries to conclude that Mr S had knowingly provided information that was untrue or misleading with the intention of making financial gain. So, it was entitled to enact the fraud condition within the policy to decline the claim and cancel the policy.

#### Medical expenses claim

There's no doubt that Mr S suffered an injury, because he has provided evidence that he sought treatment at a UK hospital the day after returning from Pakistan. The question is whether he received and paid for treatment in Pakistan in the way that he stated in his claim. Again, UKI had concerns about the information that has been provided, which included:

- The hospital in Pakistan having no record of treating or discharging Mr S.
- Differences in discharge paperwork provided to the investigator for services received and that provided by Mr S.
- The investigators' conclusion that Mr S is related to the owners of the hospital and Mr S's assertion that he is not. Although, Mr S then said that the owners may or may not be related to his father-in-law, which he considers to be irrelevant.
- Mr S firstly saying that he had not paid his father-in-law back for the cost of the treatment because he hadn't asked for it back yet, but then shortly afterwards saying that he had paid some of it back.

I appreciate Mr S's point that there was a misunderstanding in relation to the question he was being asked about whether or not he had paid the money back. I also understand Mr S's argument that hospitals in Pakistan may not keep good records or have robust administrative procedures, potentially for tax avoidance reasons.

However, on balance, I don't think Mr S has done enough to prove his claim or settle UKI's concerns (which includes the later 'confirmation' letter sent by the hospital in Pakistan in relation to Mr S's complaint). I think that UKI's concerns had a reasonable basis and that it was fair for it to rely on the findings of its investigators to conclude that the claim was fraudulently made.

Regardless of this, as I consider it was correct of UKI to void the policy as if it had been cancelled from the point of the personal liability claim on 25 April 2022, it follows that the policy was not in effect at the point of the medical expenses claim. So UKI would not have to pay it in any event.

In summary, I am satisfied that it was fair and reasonable of UKI to invoke the fraud condition of the policy in relation to both claims.

In May 2023, Mr S proposed that UKI could interview him again, this time in Pakistan where he was due to be staying until July 2023. He said he had gone to Pakistan in April 2023 specifically to help the insurer to clear up any discrepancies – although he hadn't arranged this in advance with UKI. Alternatively, he would withdraw the claims and UKI could cancel the policy on the basis of lack of documentation, or some other such reason, but not fraud.

Although Mr S says that UKI rushed to decline the claims, I don't consider that to be the case. It set out its concerns to him and provided him the opportunity to respond with more evidence. Although he did respond, it was not with evidence that would cause UKI to change its position. So I don't think there's any reason for it to re-open the claims now or to change the reason for declining the claims.

I have also carefully considered UKI's claim for recovery of its investigation costs. The ability to recover such costs is not specifically referred to in Mr S's policy terms. However, I don't consider it unreasonable for UKI to recover the costs it's incurred where such costs are over and above the costs it would normally incur in considering claims. As a result, I find it reasonable for it to ask Mr S to pay it £12,021.24.

On another point, Mr S has further complained that, because the policy was part of a packaged bank account, his bank has now blocked his current account. Mr S has also received notification from other banks that they have also closed his accounts.

The policy wording explains when UKI is sometimes required by law to share information about policyholders, which includes to help and detect crime (including the prevention or detection of fraud). Given that UKI had concluded that Mr S's claims were made fraudulently, it was reasonable for it to share that information with other financial institutions, which it is required to do in the circumstances.

Mr S holds UKI responsible for the difficulties he is now having with banking, because it shared his information. However, each individual bank was responsible for the actions they decided to take following receipt of the information. So, Mr S would need to take up any complaints with those banks directly.

### **My final decision**

For the reasons set out above, my decision is that I do not uphold the complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 16 January 2024.

Carole Clark  
**Ombudsman**