

The complaint

Mr L complains that Great Lakes Insurance UK Limited withdrew medical cover under his annual travel insurance policy after he let it know about a change in his health.

What happened

Mr L took out an annual travel insurance policy through a broker. He declared several medical conditions, which Great Lakes agreed to cover. Mr L was due to travel abroad on holiday.

However, in August 2023, shortly before Mr L was due to travel, he was diagnosed with a basal cell carcinoma and treatment was scheduled for after his return. Mr L contacted the broker to declare his diagnosis and proposed treatment.

But as Mr L was waiting for treatment, Great Lakes concluded that it was no longer prepared to offer Mr L any medical cover at all and it also withdrew cover for the conditions it had previously agreed to cover. It offered Mr L three options:

- To cancel his holiday and make a cancellation claim on the policy;
- To cancel the policy and obtain a pro-rata refund of premium;
- To travel without medical cover for any of his existing medical conditions.

Given the proximity to his departure date, Mr L didn't want to cancel his holiday. And he also didn't want to travel without medical cover. So he chose to cancel the policy and was paid a pro-rata refund of premium of £167.43. He took out a new policy with another insurer, which did provide medical cover and which cost Mr L £545.20.

Mr L was unhappy with Great Lakes' decision to withdraw medical cover and so he asked us to look into his complaint.

Our investigator thought that Great Lakes had shown that it had fairly withdrawn medical cover. She noted that under the terms of the policy, Mr L had been entitled to cancel his holiday and make a claim for up to £1000 of cancellation costs. However, instead, he'd chosen to travel as planned. He'd taken out a new policy, which cost less than Great Lakes' potential liability under the terms of the contract. So the investigator felt Mr L had mitigated Great Lakes' potential losses. She considered the fair outcome to this complaint would be for Great Lakes to pay Mr L the cost of his new policy less the amount of the pro-rata refund he'd already received.

Mr L accepted the investigator's recommendation, but Great Lakes did not. So 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, I agree with our investigator's conclusions and I'll explain why.

The relevant regulators principles say that a financial business must pay due regard to the interests of its customers and treat them fairly. So I've considered, amongst other things, the terms of Mr L's policy and the available evidence, to decide whether I think Great Lakes treated Mr L fairly.

I've first considered the policy terms and conditions, as these form the basis of the contract between Great Lakes and Mr L. It's common ground that after Mr L was diagnosed with basal cell carcinoma and treatment was proposed, he contacted Great Lakes to tell it about his new condition, in line with the policy terms. The contract terms explain a policyholder's options if Great Lakes is unable to cover a policyholder following notification of a change in their health. And I've set out the relevant term below:

'If we are unable to continue to provide cover, or if you do not wish to pay the additional premium you will be entitled to make a claim under Section 1 (Cancellation) for your costs which cannot be recovered elsewhere for trips booked prior to the change in health. Alternatively, you will be entitled to cancel your policy, in which case, we will refund a proportionate amount of your premium.'

We've been provided with evidence which shows that Great Lakes withdrew medical cover for Mr L in line with underwriting guidance. It isn't unusual for travel insurers to refuse to provide cover if a policyholder is under investigation, or if treatment is pending. So I'm satisfied Great Lakes was reasonably entitled to conclude that it could no longer offer Mr L medical cover and that it would have treated any of its other policyholders in the same situation in the same way.

Great Lakes offered Mr L the option to cancel his trip and make a cancellation claim, or to cancel the policy and obtain a pro-rata refund of premium. I appreciate Mr L chose to cancel the policy and was paid a proportionate premium refund. So I think Great Lakes acted in line with a strict application of the policy terms.

But I can depart from a strict interpretation of the policy terms, if I think their application produces an unfair result. Here, Mr L would have been entitled to cancel his holiday and make a claim for costs up to the policy limit of £1000. From what he's told us about his potential cancellation costs, it seems Great Lakes is likely to have been liable to pay up to the full limit. So its full potential liability appears to have been £1000.

Instead, Mr L chose to significantly mitigate Great Lakes' potential losses by cancelling the policy and taking out an alternative policy instead, to enable him to travel with medical cover in place. As such then, I think that in these specific circumstances, it would be fair and reasonable for Great Lakes to step outside of a strict application of the policy terms. In my view, the fair outcome to this complaint is for Great Lakes to pay Mr L compensation to the value of the cost of the new policy, less the pro-rata refund it's already paid.

My final decision

For the reasons I've given above, my final decision is that I uphold this complaint.

I direct Great Lakes Insurance UK Limited to pay Mr L fair compensation of £545.20, representing the value of the new policy he purchased, less the pro-rata refund of £167.43 he's already been paid.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr L to accept or reject my decision before 18 January 2024.

Lisa Barham
Ombudsman