

The complaint

Miss M is unhappy that Great Lakes Insurance SE declined a claim made on her travel insurance policy.

What happened

Miss M had the benefit of a single trip travel insurance policy (underwritten by Great Lakes) ('the policy') for a holiday she she'd booked for 21 July 2022. The holiday was booked on 26 June 2022 and the policy was taken out on 2 July 2022. Miss M was due to travel to a country I'll refer to as "S".

The Foreign Commonwealth and Development Office (FCDO) advised against all but essential travel to S on 5 July 2022. Subsequently, Miss M cancelled her holiday. The FCDO guidance remained in place at the time the holiday was cancelled - and when Miss M was due to travel.

Miss M made a claim on the policy for the cost of the holiday which she was unable to recover from third parties.

Great Lakes declined the claim because the reason which led to the holiday being cancelled wasn't covered under the terms and conditions of the policy. It said the cancellation section of the policy listed specific reasons for which Great Lakes would provide cover, and the circumstances surrounding Miss M's claim didn't fall within those.

Miss M didn't think that was fair, so complained to The Financial Ombudsman Service. Our investigator upheld her complaint. Although, the trip was cancelled for a reason not listed in the cancellation section of the policy terms, there was also an exclusion in the policy limiting cover if she'd travelled against the advice of the FCDO. So, our investigator didn't think it was fair and reasonable for Great Lakes to decline the claim for the reason it did.

In the circumstances of this particular case, our investigator concluded that it would be fair and reasonable for Great Lakes to treat the claim as covered under the cancellation section of the policy. And our investigator recommended Great Lakes assess the claim under the remaining terms and conditions of the policy.

Great Lakes didn't agree. Amongst the points it included in its response to our investigator's view, it said the specific insured perils for which a claim may be considered are clearly set out in the policy terms. As the circumstance giving rise to the claim made by Miss M fell outside of those insured perils, it was unable to consider the claim. This complaint was passed to me to consider everything afresh and decide.

I issued my provisional decision earlier in December 2023 explaining in a bit more detail why I was also intending to uphold the complaint. Both Great Lakes and Miss M accepted my provisional 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.

Great Lakes has a regulatory obligation to handle insurance claims fairly and promptly. It mustn't unreasonably decline a claim.

Information Product Information Document ('IPID')

The IPID says at the top of page 1 that:

This... Document is only intended to provide a summary of the main coverage and exclusions and is not personalised to your specific needs in any way. Complete pre-contractual and contractual information for the product is provided in your policy documentation.

Under the heading 'What is insured?' on page 1 of the IPID, it says:

Cancellation – up to £2,000

Under the heading 'Where am I covered on page 2 of the IPID, it says:

You will not be covered if you travel to a country or region where the Foreign, Commonwealth & Development (FCDO) has advised against all travel or all but essential travel...

The policy terms and conditions

Page 26 of the policy terms and conditions sets out the policy cancellation terms. Subject to the remaining terms of the policy, cover is provided (up to the financial limits of that section) following necessary and unavoidable cancellation of a trip as a result of:

1. The death, Bodily Injury or Illness, as certified by a Medical Practitioner, of You, Your Relative, Colleague or travelling companion or of a friend with whom You had arranged to stay; or
2. Your attendance at a court of law as a witness (except as an expert witness) or for Jury Service where postponement of the Jury Service has been denied by the Clerk of the Courts Office; or
3. You or Your travelling companion being a member of the Armed Forces, Police, Ambulance, Fire or Nursing Service and Your or their authorised leave being Cancelled due to an unexpected emergency or a posting overseas at the time of Your trip; or
4. You or Your travelling companion being instructed to stay at Home (within 7 days of Your departure date) by a relevant authority due to severe damage to Your or their Home or place of business in the United Kingdom caused by serious fire, explosion, storm, flood, subsidence or burglary; or
5. Your involuntary redundancy or that of Your travelling companion or Your spouse, civil partner or cohabiting partner, notified after the purchase of this Policy or after the trip was booked, whichever is later.

Pages 86 to 89 of the policy set out the general exclusions which apply to all sections of the policy. It says (at section D.1.b. on page 86). that the policy doesn't pay for any loss, damage, cost or expense directly or indirectly caused by:

...the act of an Insured Person voluntarily entering an area known at the time to be subject to War and Civil Unrest or against the advice of the Foreign, Commonwealth & Development Office (FCDO)...

I'll refer to this as 'the FCDO exclusion'.

Was it unreasonable for Great Lakes to decline the claim?

I think it's fair and reasonable for Great Lakes to treat the claim as covered under the cancellation section of the policy in this particular case because:

- I'm satisfied that the main reason for the holiday being cancelled was the FCDO advice which came into effect on 5 July 2022. That was after the policy was taken out and the holiday booked, and shortly before Miss M was due to travel.
- I accept that cancellation due to FCDO advising against all but essential travel to the intended holiday destination isn't something that's listed as an insured peril under the cancellation section of the terms and conditions of the policy, as set out above. However, taking into account the relevant law and industry guidelines, I don't think that leads to a fair and reasonable outcome in the circumstances of this case for the reasons I'll go on to explain.
- Even if Miss M was able to – and did - travel abroad when planned, she wouldn't have been following FCDO advice. And because of the FCDO exclusion she wouldn't have been covered by the policy terms and conditions. But, under the terms and conditions of the policy, changes in FCDO guidance - after the holiday had been booked and policy had been issued - which led to the cancellation of a holiday is something also not covered under the policy. I don't think that was made sufficiently clear to Miss M in this case.
- The IPID is designed to make sure customers have essential information about the policy in a way that's easy to understand. The FCDO exclusion is set out in the IPID and IPID but cancellation claims due to FCDO advice against all but essential travel isn't included in the 'What is not insured' section of the IPID.
- Miss M would've needed to read the full policy terms and conditions to understand that this set of circumstances wasn't covered. And, I don't think this information was brought to her attention in a prominent and transparent way. I'm satisfied that Miss M would've needed to go further into the detail of the policy wording to establish whether she was able to claim if her holiday was cancelled because of changes to FCDO advice after she'd bought the policy. And even when she reached page 26 of the policy's terms and conditions - which sets out the available cover if her trip is cancelled – a claim arising from a change in FCDO advice isn't specifically listed as an exclusion.
- The section of the policy explaining what will be covered if Miss M was unable to travel, on page 26, is in plain English. But the FCDO exclusion isn't presented in the same place or specifically mentioned in the cancellation exclusions – although the general exclusions are referred to. But the general exclusions are later in the policy document at pages 86 to 89. And Miss M, as a consumer, would have needed to cross refer these sections of the policy document to understand how these terms all interrelated to one another, and to understand the effect of the FCDO exclusion.

- I don't think it would be obvious to a reasonable consumer that there would be no cover under the policy if FCDO advice changed in respect of their destination after they'd bought the policy. And even with a cooling-off period, I think a consumer might not be able to easily understand the full effect of the policy. I think the way the cancellation section of cover and the FCDO exclusion under the other sections of the policy are presented separately means their combined effect isn't clear in this case. Overall, I'm satisfied that it wasn't made reasonably clear or obvious to a reasonable policyholder that they'd have no cover under the policy if they travelled against FCDO advice but that there would also be no cover in place if their travel plans were cancelled on the basis of FCDO advice changing in between buying the policy and their intended departure date, as is what happened here.
- I think this created a significant imbalance in the rights and interests of Great Lakes and Miss M, shifting the rights and obligations under the policy significantly in Great Lakes' favour. I think it's likely Miss M would've bought another travel insurance policy if she'd realised that there was no cover under this policy if the FCDO guidance changed after it was bought. I'm satisfied that there were other travel insurances policies available at the time which would've covered such a situation. When making this finding, I accept that it's not practical for the terms and conditions of a policy – or an IPID – to list every possible insured peril and/or every possible exclusion. I've also considered that it's common for the cancellation section of travel insurance policies to list the specific insured perils that are covered. However, the issue I'm considering in this case is whether the specific exclusion from cover of cancellation claims arising from a change in FCDO travel advice was clearly sign-posted to Miss M in this particular case based on the policy documentation relevant to the specific circumstances of Miss M's claim. And, for the reasons set out above, I don't think it was.

Prohibitive regulations

I've also taken on board what Great Lakes says about the cancellation section of the policy containing a specific exclusion (at page 27), not covering cancellation claims for:

Any claim arising as a result of prohibitive regulations by the Government of any country, or delay or amendment of the booked trip due to Government action.

The FCDO advice was due to S being under a severe economic crisis at the time which led to shortage of basic necessities like medicine, cooking gas, fuel, electricity and food. This had led to protest and violent unrest. Further demonstrations, roadblocks and violent unrest could occur at short notice.

The Government of S declared a state of emergency in mid-July 2022. Miss M said on her claim form to Great Lakes that she verbally cancelled the holiday on 9 July 2022, and in writing on 19 July 2022. I'm persuaded, on a balance of probabilities, that she did cancel the holiday before the state of emergency was declared by S's Government as I've also seen a cancellation invoice from before date issued by an accommodation provider for part of the holiday, so I think that supports what she says in her claim form.

So, I'm satisfied that the Government of S hadn't issued any prohibitive regulations at the time of cancellation. And I'm satisfied that neither had the UK Government. Although, the FCDO had issued advice against all but essential travel to S – and I think this was the reason for Miss M's holiday being cancelled – I don't think it would be fair and reasonable to conclude that this was a regulation (prohibitive or otherwise) or a result of Government action.

Distress and inconvenience

Miss M submitted her insurance claim in July 2022. And it took Great Lakes several months to assess her claim. I think that's too long in the circumstances here. During this time, Great Lakes' internal contact notes reflect that Miss M called on at least three occasions asking for an update and that she was told that she should hear shortly. But she didn't.

I'm satisfied this would've been frustrating for Miss M and she was put to the unnecessary trouble of having to contact Great Lakes on multiple occasion to find out what was going on with her claim.

It doesn't look like her claim was internally escalated for advice about the reason Great Lakes ultimately gave to decline the claim until mid-October 2022. I'm satisfied that's too long and there doesn't seem to be any fair reason why it should've taken until then for the matter to be escalated. I propose that Great Lakes pay £100 compensation to Miss M to reflect the distress and inconvenience she experienced because of Great Lakes not handling her claim promptly.

Putting things right

Within 28 days from the date of the Financial Ombudsman Service notifies Great Lakes that Miss M accepts this final decision, I direct Great Lakes to:

- assess the claim as if it is covered as an insured peril under the cancellation section the policy, subject to the remaining terms and conditions of the policy – including (but not limited to) the financial limits of the policy, and the applicable excess.
- pay Miss M £100 compensation for distress and inconvenience.

My final decision

I uphold Miss M's complaint to the extent set out above. I direct Great Lakes Insurance SE to put things right by doing what I've set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss M to accept or reject my decision before 12 January 2024.

David Curtis-Johnson
Ombudsman