

## **Agreement from AXA Insurance UK plc (as underwriter to Lloyds Banking Group)**

### **Summary**

AXA Insurance UK plc (AXA) has agreed to change some terms in the Worldwide Travel Insurance policy offered by Lloyds Banking Group (Lloyds). This follows the FCA's assessment that two clauses in that policy were not expressed in plain and intelligible language. Lloyds sells the Worldwide Travel Insurance policy both as part of Lloyds' and Bank of Scotland's packaged bank accounts, and as Lloyds' standalone travel policy.

### **Why did we have concerns?**

In our view, two clauses in AXA's policy were contradictory. One clause indicated that losses arising from the failure of the transport provider (e.g. the airline company) were covered, while another clause indicated that they were not covered.

We therefore believed that the original clauses would confuse customers about whether or not they were able to recover losses arising from the failure of their transport provider.

### **What has the firm done?**

AXA has agreed to amend the original clauses to make it clear that losses due to the failure of the transport provider are covered under the contract where the customer first attempts to claim from third parties (e.g. the airline company or the credit card company) and is unsuccessful in their attempt, or finds out that this option is not available to them.

### **What does this mean for customers?**

AXA has confirmed that:

- it will treat all existing customers (i.e. those who received policy documents containing the old terms) as though the new wording applies to them;
- it has reviewed all past claims it received from customers about the failure of their transport provider, and which it had declined as a result of the original terms. AXA has contacted all affected customers to check whether the grounds for refusing each claim were in accordance with the new terms. This may mean that some customers whose claims were refused in the past may find that those claims are now accepted; and

- it has changed its claims handling processes. It will now handle all future claims (from both new and existing customers) for failure of the transport provider in accordance with the new terms.

The new wording has been included in new contracts from 2 October 2012 for UK customers.

## Details about the clauses and application of the relevant law

### Original clauses

*Section Q – Travel disruption cover*

...

*What is covered*

*Before You reach Your destination*

*1. We will pay You up to £5,000 for Your unused travel, accommodation (including excursions up to £250) and other Pre-paid Charges that You cannot claim back from any other source if You cannot travel and have to cancel Your Trip as a result of:*

*... d) The insolvency of the providers or booking agents, fire, flood (...) meaning You cannot use Your booked accommodation.*

...

*What is not covered (applicable to all sections of cover)*

*...13. Any unused travel costs arising from the insolvency of Your transport provider.*

### New clauses

#### Definition

*Public Transport - means any publicly licensed aircraft, sea vessel, train or coach on which You are booked to travel.*

#### Policy Wording

*Section Q – Travel disruption cover*

*What is covered*

*Before You reach Your destination*

*1. We will pay You up to £5,000 for Your unused travel, accommodation (including excursions up to £250) and other Pre-paid Charges that You cannot claim back from any other source if You cannot travel and have to cancel Your Trip as a result of:*

...

*d) The insolvency of the Public Transport operator, accommodation providers or their booking agents, or*

*2. We will pay You up to £5,000 for Your reasonable additional travel (including up to £200 for taxis and hire cars) and accommodation costs which are of a similar standard to that of Your pre-booked travel and accommodation (but on a room only basis) that You cannot claim back from any other source if You have to make alternative arrangements to reach Your destination as a result of:*

...

*c) The insolvency of the Public Transport operator or their booking agents.*

### On the way home

...

6. We will pay You up to;

a) £5,000 for Your reasonable additional travel (including up to £200 for taxis and hire cars) and accommodation costs which are of a similar standard to that of Your pre-booked travel and accommodation (for example, full or half board, all inclusive, bed and breakfast, self catering or room only) that You cannot claim back from any other source

b) £200 for the cost of emergency replenishment of Your prescription medication if Your existing supplies run out after Your scheduled return date if You have to make alternative arrangements to return to Your Home or stay longer outside of Your Home Area as a result of:

...

iii) The insolvency of the Public Transport operator or their booking agents.

### Special conditions relating to claims

...

Whether You have booked a Package holiday or just a flight, compensation will normally be available to You from financial protection schemes arranged or overseen by the Civil Aviation Authority (CAA) such as the Air Travel Organisers' Licensing (ATOL) scheme and Flight-Only and Flight-Plus Arrangements, or by way of a bond held by a trade association such as the Association of British Travel Agents (ABTA) scheme if Your Package holiday does not include a flight.

### What is not covered

...

9. Any costs incurred by You which are recoverable from the Public Transport operator or their booking agents, Your tour operator or travel agent (or their administrators), or for which You receive or are expected to receive compensation, damages, refund of tickets, meals, refreshments, accommodation, transfers, communication facilities or other assistance.

## **Application of the relevant law**

Regulation 7(1) of the Unfair Terms in Consumers Contracts Regulations 1999 requires that any written term of a contract is expressed in plain and intelligible language. We believed that the original clauses did not meet this requirement, as they were contradictory regarding the cover provided for unused travel costs in the case of insolvency of a transport provider. Clause 1 indicated that unused travel costs were covered if the customer was unable to travel because of the insolvency of the provider. However, clause 13 indicated that no cover was provided for any unused travel costs arising from the insolvency of the consumer's transport provider. In our view, the average consumer was unlikely to be able to understand whether or not cover for unused travel costs in this instance was provided under the contract.

The firm was fully cooperative in providing this agreement.

## **Other information**

We remind firms of the requirements of Principle 7 of the FCA's Principles for Businesses, which provides that a firm must pay due regard to the information needs of its clients and communicate information to them in a way which is clear, fair and not misleading.

We also remind firms of the provisions of rule 2.2.2 of the FCA's Insurance: Conduct of Business sourcebook, which provides that when a firm communicates information to a

customer, it must take reasonable steps to communicate it in a way that is clear, fair and not misleading.

**Agreement published on 12 June 2013**