

The complaint

Mr K complains Automobile Association Insurance Services Limited (AA) failed to notify him his car insurance hadn't renewed and that this had a detrimental financial impact on him.

What happened

The circumstances of this complaint are well known to both parties, so I've summarised events.

- Mr K had a car insurance policy which was arranged by AA - as the broker of his policy. The policy provided *third party fire and theft cover only*.
- In July 2023, he was involved in a motor incident when a third-party driver allegedly drove into the back of his car causing damage.
- Mr K contacted AA to report the incident but was informed he no longer had a policy. Mr K was unaware his insurance had lapsed and said he'd not been informed of this by AA.
- AA looked into things and said it had sent a letter to Mr K in May 2023 explaining it couldn't renew his policy because the underwriter of the policy had changed the criteria. But it realised the letter had been sent to the wrong address.
- Mr K was unhappy about this and complained to AA. In response, AA said the decision to no longer provide cover to Mr K was the underwriter's decision, and not its. And it was sorry for sending the letter to the incorrect address. It sent a cheque for £75 to recognise the inconvenience this had caused.
- Mr K remained unhappy and so, brought a complaint to this Service. Whilst the complaint was with this Service, AA subsequently offered to pay an additional £250 compensation to Mr K – bringing the total compensation to £325.00. And said it would write a letter explaining that it was due to a mistake on its part that Mr K was unaware his insurance had lapsed.
- An Investigator reviewed the matter and was satisfied AA writing a letter – explaining it was at fault – together with £325 compensation was a reasonable way of putting things right.
- Mr K disagreed and so, the complaint has been passed to me for an Ombudsman's 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.

Having done so, I agree with the outcome our Investigator reached – and I'll explain why.

But first, it's important to clarify I'm only concerned with the actions of AA as the broker. So, any concerns Mr K has about the underwriter not renewing his policy, will need to be directed to them in the first instance.

Repair costs

Mr K has said AA should cover the cost of repairing his vehicle because of its mistake. But I'm not persuaded this is reasonable because even if Mr K's policy had renewed, or the incident had taken place *before* the policy lapsed, he only had third party fire and theft insurance. This covers third-party personal injury, and damage to third-party property – but notably, does *not* cover damage to his car unless caused by fire or theft. And so, to direct AA to cover his repair costs would put him in a better position than what he was entitled to under the policy – and I don't consider that to be fair.

Furthermore, the incident was allegedly reported as a 'non-fault' incident, meaning the third party's insurer may be liable for some or all of the costs he's incurred. So, directing AA to cover costs which Mr K could pursue through the third-party insurer wouldn't be reasonable either.

I appreciate the loss of income, paying for his car to be repaired, and hiring a replacement car had financial implications for Mr K, but I'm not satisfied he *only* incurred these as a result of AA sending a letter to the wrong address. Ultimately, even if his policy had renewed with the same level of cover, it wouldn't have covered these costs – and so, I don't consider it reasonable to direct AA to cover them.

Compensation

So, what's left for me to consider is whether the compensation offered by AA reasonably reflects the difficulties Mr K experienced. Understandably, finding out he wasn't insured would have been a shock for Mr K and I appreciate he subsequently worried about what might have happened had he been found to have been driving without insurance. Whilst my intention isn't to diminish these genuine concerns, I have to keep in mind – when looking at the impact of AA's actions on him – that ultimately, these concerns didn't manifest. And so, it wouldn't be reasonable for me to direct AA to pay compensation for events which didn't materialise - though I have kept in mind that the possibility of this happening caused him worry.

Mr K says he was prevented from making a claim because once the third-party driver became aware he was uninsured, it was used against him to prevent him making a claim. Our Investigator asked for evidence of this, but Mr K wasn't able to provide this. Without this I can't reasonably conclude AA's mistake prejudiced Mr K's ability to lodge a claim with the third-party insurer.

I appreciate being without a car and organising repairs was inconvenient for Mr K but even if his policy had renewed, because of the limited level of cover he had, this was something he would have always had to sort himself – and so, I don't consider it to be attributable to AA's mistake of sending the letter to the wrong address.

So, when I consider the above, I'm satisfied £325 compensation is fair and reasonable in the circumstances and I won't be directing AA to pay more than this.

I also consider AA's offer of writing a letter acknowledging it was at fault with regards to Mr K not being aware his policy hadn't renewed to be reasonable.

My final decision

Automobile Association Insurance Services Limited has already made the following offer to settle the complaint:

- pay Mr K an additional £250 compensation.
- write a letter explaining Mr K was unaware his cover hadn't renewed because of its error.

And I think this offer is fair in all the circumstances.

So, my decision is Automobile Association Insurance Services Limited should pay Mr K an additional £250. If Mr K *hasn't* cashed the previous cheque for £75 and the cheque has expired, it will need to add £75 when it makes its compensation payment so that Mr K receives £325 compensation in total.

Automobile Association Insurance Services Limited must pay the compensation within 28 days of the date on which we tell it Mr K accepts my final decision. If it pays later than this, it must also pay interest on the compensation from the deadline date for settlement to the date of payment at 8% a year simple.

And Automobile Association Insurance Services Limited must issue a letter explaining that its mistake – sending a letter to the wrong address which was to inform Mr K his policy hadn't renewed - led to Mr K being unaware his insurance had lapsed.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr K to accept or reject my decision before 4 January 2024.

Nicola Beakhust
Ombudsman