

The complaint

Miss M complains AA Underwriting Insurance Company Limited handled her after the event insurance policy claim poorly.

What happened

In September 2022 Miss M's car was involved in a collision with a third-party car. Her motor insurance policy was third-party, fire and theft only – so wouldn't cover damage to her own car. She was offered, and took out, an AA after the event insurance (ATE) policy. Under the policy AA would cover some claim costs, including for repair of her car and provision of a hire car, and seek recovery from third-party's insurer (TPI).

AA took possession of Miss M's car. It provided her with a hire car. AA's engineer assessed the car as a total loss. The policy doesn't cover total loss, so AA didn't pay her for the loss of the car. Instead AA proposed a total loss settlement to seek from the TPI. That was around £5,300, with a £1,006 deduction if Miss M wished to keep the salvage. She wasn't happy with that valuation. In response AA said it could seek that amount from the TPI on her behalf or alternatively she could choose to pursue the claim through her own motor insurer. Miss M went on to accept the valuation AA had proposed.

Months later, not having received a settlement for her car, complained to AA. It responded in January 2023 explaining her ATE policy doesn't cover total losses. It explained that it had been chasing the TPI for it to make payment.

Unsatisfied with AA's handling of matters Miss M came to this service. She was unhappy her claim for her car hasn't been settled. She feels AA made a total loss settlement offer, but then withdrew it. To resolve her complaint she would like AA to settle the loss of her car and pay her compensation.

In April 2022 our Investigator considered Miss M's complaint. He explained her AA policy doesn't cover total loss payments. He said the TPI is responsible for paying the settlement. He said he couldn't find AA to blame for her not having received payment for her car. He explained AA provided a hire car whilst seeking settlement of her claim, so had done what it was required to do under the terms of her policy. Miss M didn't accept that outcome. So the complaint was passed to me to decide.

When Miss M's car was returned by AA's storage provider, she was unhappy with its condition. I haven't considered that issue in this decision. That's because, as far as I'm aware, she hasn't raised her concern with AA. If she would like this service to look at that issue, she needs to allow AA the opportunity to respond first.

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.

As this is an informal service I'm not going to respond here to every point or piece of

evidence Miss M and AA provided. Instead I've focused on those I consider to be key or central to the issue. But I would like to reassure both that I have considered everything I've been given.

I can see Miss M's been frustrated by her interactions with AA. That seems to have arisen from some confusion over its role in this process and the terms of the insurance policy she holds with it.

The ATE policy isn't a standard motor insurance policy. Miss M held one of those with a different insurer. Her AA ATE policy covers certain costs when the policyholder has been in a road accident they weren't at fault for. These include recovery, storage, repair and hire charges.

However under 'What is not covered:' the terms include '*...the value of your vehicle if your vehicle is a total loss*'. So AA is correct when it says the total loss isn't covered by the policy. So that meant AA wasn't, under the policy, required to pay her a total loss settlement.

In line with the policy AA arranged a hire car for Miss M. It sought recovery of its cost from the TPI. At the same time it proposed, to the TPI, a total loss settlement it should pay Miss M. AA did explain this process in its correspondence, although it perhaps could have been clearer.

I haven't seen that AA did say it would pay Miss M's total loss amount and then withdraw that offer. Instead it proposed a settlement it would request the TPI pay her. Payment was always dependent on the TPI settling the claim.

It seems Miss M still hasn't received a payment. AA did initially contact the wrong insurer. Miss M had a hire car during this period, so she wasn't caused much inconvenience by that mistake. Following that AA's made reasonable efforts to pursue its claim, for the hire costs, against the correct TPI. And in its letters, it requested the TPI settle her total loss claim directly.

Frustrated with progress, Miss M contacted the TPI directly. She reported it refusing to open a claim for her as AA was already pursuing the total loss payment for her. There seems to have been some confusion on the part of the TPI here. AA's letters to the TPI ask it to pay her directly. It wasn't seeking to receive payment of the total loss settlement itself – just its hire car costs. In any event it seems, from recent communication between the TPI and AA, that this confusion has been cleared up.

Finally I've considered if Miss M may have lost out by using AA's ATE policy, rather than claiming against the TPI through her own motor insurance policy. She didn't have comprehensive cover. That means her insurer wouldn't have paid for any loss or damage to her car, nor covered any hire car costs. So I can't fairly say she would have been in a better position if she hadn't been offered the ATE policy.

My final decision

For the reasons given above, I don't require AA Underwriting Insurance Company Limited to pay Miss M for the loss of her vehicle or any compensation. Under the rules of the Financial Ombudsman Service, I'm required to ask Miss M to accept or reject my decision before 25 October 2023.

Daniel Martin
Ombudsman

