

The complaint

Mr C complains about RAC Insurance Limited's settlement of his claim under his European Breakdown Cover Policy and about its service.

What happened

Mr C took out a European Breakdown Cover Policy to cover his trip to Europe with his wife. His vehicle broke down the first day of the holiday and RAC attended and took the vehicle. The vehicle couldn't be repaired before the trip ended so RAC arranged a replacement hire vehicle on the same day until Mr C's return date of 22 September 2022. RAC agreed to repatriate his vehicle which was returned to Mr C in the UK on 31 October 2022.

Mr C complained to RAC about its poor service and that it hadn't paid all his costs. RAC accepted there were problems with its service and paid £200 in compensation for Mr C's distress and inconvenience. RAC also paid £205 for his taxi costs and £100 for the cost of the replacement return ticket. RAC said the cost of the original booked return ticket wasn't covered by the policy terms.

Mr C complained to us. In summary he said:

- He'd understood the policy said RAC would help with getting him and his vehicle home but he had to organise his return journey home and pay for it up front. RAC had reimbursed only some of the costs.
- RAC took nine weeks from the vehicle's breakdown to return his vehicle which was an unreasonable delay. The vehicle was only returned after he made many calls to RAC.
- The above points showed that the insurance policy wasn't fit for purposes and was mis-sold.

Mr C wanted RAC to pay him about £2,700 for:

- Compensation for the loss of use of his vehicle for the six weeks from his return to the UK to the vehicle being returned.
- The cost of the policy, which he believes was mis-sold to him.
- The cost of the original return ticket which he couldn't use as RAC didn't agree to him taking the hire vehicle to the UK so he had to get a foot passenger ticket.
- Cost of storage, and loss of use, of some of the luggage which he couldn't carry as a foot passenger.
- Cost of the loss of several days holiday as he and his wife spent a lot of time on the phone to RAC trying to organise the return journey and repatriation of his vehicle and on booking the return journey.

- More compensation for the stress and inconvenience RAC caused as the whole experience meant he and his wife didn't enjoy the holiday.

Our investigator said RAC had fairly settled the claim and if Mr C wanted us to consider if the policy has been mis-sold he would need to make a separate complaint. She recommended RAC pay a further £200 in compensation (so £400 in total) for the distress and inconvenience it's poor service had caused Mr C.

RAC said the recommendation to pay £400 compensation was much more than we'd told it to pay in a similar case, but it accepted this recommendation.

Mr C didn't accept the recommendation and wanted an ombudsman's decision. He added:

- He estimated that he and his wife had spent about four half days of their holiday trying to sort out the issues. The cost of their hotel was about £300 a day so he wanted £600 compensation for loss of holiday.
- The £100 payment RAC made for his return journey home was less expensive than his £129 original booked return journey so he was out of pocket for that journey cost. He said RAC should have allowed him to take the hire vehicle into the UK as that would have been the easiest and cheapest option for him and RAC.
- So RAC should pay him £729 plus the additional £200 our investigator suggested in addition to the £200 RAC had already paid.

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.

The relevant regulator's rules say that insurers must handle claims promptly and fairly. And they mustn't turn down claims unreasonably.

I partly uphold this complaint. I think RAC fairly settled Mr C's claim for costs but I don't think its original offer of £200 compensation for Mr C's distress and inconvenience was enough. I'm satisfied that our investigator's recommendation for a further £200 compensation, giving total compensation of £400, is a reasonable amount for Mr C's distress and inconvenience due to RAC's unfair service. I'll explain why.

Mr C wants RAC to refund the cost of the policy as he believes the policy was mis-sold to him. Our investigator has correctly explained that if Mr C wants to pursue his concerns that the policy was mis-sold he will need to make a separate complaint to the seller of the policy and, if agreement can't be reached, ultimately to us. It's fair for me to tell Mr C that as he's made a successful claim on the policy it seems to me that we're unlikely to say the policy was mis-sold.

Insurance policies don't cover every situation a policyholder may find themselves in or cover every cost they incur. The policy terms set out what events and costs an insurer is prepared to cover.

Mr C's policy terms and conditions say:

'Section 4: Missed connection

...

Covered

If we attend a breakdown under Sections 1 or 3 and you miss your pre-booked connection, we will reimburse you for the costs of a replacement standard class ticket to allow the passengers to continue the journey.

Not Covered

1. The cost of...

c. the original travel ticket'.

I think that's the section of the policy which best fits the situation and RAC paid for Mr C's £100 replacement return ticket. Mr C also wants it to pay the £129 cost of his original return ticket. But Mr C would always have had to pay for a return journey irrespective of his vehicle's break down. And although RAC paid £29 less for the replacement return journey the policy terms are clear that RAC won't cover the cost of the original travel ticket.

Mr C says if RAC had let him take the hire vehicle to the UK he could have used the original return ticket and also wouldn't have had the inconvenience of the taxi arranged to take him from the port to home not turning up. He says if he'd had the hire vehicle he could have brought back the luggage he had to leave in France.

From RAC's call notes made at the time I can't see that Mr C asked RAC if he could take the hire vehicle he had in Europe to the UK, so I've seen no evidence to support that RAC refused his request. RAC paid for the taxi from the port to Mr C's home and I think RAC has paid what it's required to pay under the policy terms to get Mr C home. There's no basis for me to reasonably say that RAC should pay for the cost of Mr C's original return ticket or the £29 balance.

Mr C wants RAC to pay the cost of storage abroad of some of his luggage and for loss of use of the luggage. I've seen the claim form Mr C completed and he didn't include a claim for those costs. I've also seen a note in RAC's notes of a phone call on 14 September 2022 where Mr C told RAC that he was leaving luggage with a friend in France to be collected later. There's no evidence that Mr C had to pay any storage costs. Even if Mr C did have luggage storage costs they wouldn't be covered by the policy terms as the policy says:

'You are responsible at all times for the care of your personal belongings, valuables, luggage, goods, vehicles, and boats in or on a vehicle. We will not be responsible for any loss of or damage to them'.

Overall I'm satisfied that RAC fairly settled Mr C's claim.

Mr C has detailed the problems he had with RAC's service and RAC accepts there were problems with its service. In deciding whether RAC's payment of £200 compensation was reasonable I consider Mr C's overall distress and inconvenience caused by RAC's poor service. We don't generally award compensation on the basis of a policyholder's time spent against the cost of their holiday, as Mr C has suggested, and there's no reason for me to do so in this case.

RAC's notes at time show Mr C had several calls with it while he was on holiday. I understand Mr C found having to make the calls stressful when he was holiday. But I think many of those calls were about the necessary arrangements for his journey and his vehicle following the unfortunate breakdown of his vehicle. RAC's notes of the call on 14 September 2022 say it was agreed that Mr C would book his return ticket. I can't see any evidence that RAC refused to book those arrangements and for practical reasons I think it was probably more effective for Mr C to book his return arrangements.

The policy terms at section 6 'Getting your vehicle home' say:

‘Important

Following our authorisation, it can take up to 14 working days for the vehicle to be delivered back to the UK. At busy times and from some countries it may take longer’.

The policy warns that the time to repatriate the vehicle may be longer than 14 working days. But RAC has acknowledged its delay between requesting the vehicle’s repatriation on 6 September 2022 and authorisation on 5 October 2022. I think that caused unnecessary delay and the vehicle wasn’t delivered to Mr C until 31 October 2022. As Mr C arrived home on 22 September 2022 he was without the use of his vehicle for about six weeks which caused him a lot of inconvenience. He was also in contact with RAC several times to chase the vehicle’s return.

Looking at Mr C’s overall distress and inconvenience caused by RAC’s poor service I think £400 compensation in total is reasonable. I note RAC’s comment that this service has awarded a smaller amount of compensation in another complaint which had similar circumstances. But I make decisions on the individual circumstances of a complaint. I also note that RAC has now agreed to pay the additional compensation.

Putting things right

RAC must pay Mr C a further £200 in compensation, in addition to the £200 it’s already paid, for his distress and inconvenience its unfair service caused, as RAC now agrees.

My final decision

I partly uphold this complaint and require RAC Insurance Limited to pay Mr C a further £200 in compensation, in addition to the £200 it’s already paid, for his distress and inconvenience its unfair service caused, as it now agrees.

Under the rules of the Financial Ombudsman Service, I’m required to ask Mr C to accept or reject my decision before 6 July 2023.

Nicola Sisk
Ombudsman