

## **The complaint**

Mr M complains about Automobile Association Insurance Services Limited referring him to an accident management company (AMC).

## **What happened**

In January 2021 Mr M's vehicle was involved in a collision with a third-party one. His son called Mr M's motor insurance broker on his behalf, AA, to register a claim. AA provided two options. Mr M could pursue the claim through his own motor insurer. Alternatively he could make use of the services of an AMC. Mr M went ahead with the AMC option. This meant he wouldn't claim through his own insurance policy and insurer. Instead the AMC would deal with repairs, arrange a hire car and attempt to recover costs from the third-party insurer (TPI) – through a credit hire/repair agreement.

A while later Mr M's son complained to AA on his behalf. He said it had recommended the AMC as being the best option for Mr M – but the claim had yet to be settled. He said the AMC wasn't responding to enquiries. In response AA said his complaint was about a different firm – the AMC. It said it had nonetheless liaised with the AMC and the third-party insurer (TPI). AA explained the TPI hadn't been taking calls as it was short staffed due to the Covid pandemic. It explained the claim was now being progressed.

Mr M wasn't satisfied so our investigator considered his complaint. He listened to a recording of Mr M's son's call with AA. He felt AA, when discussing the potential referral, had persuaded him to take the AMC option. He also felt it had failed to give him clear enough information about the potential implications – including that the AMC's service aren't regulated and that he may end up liable for hire car charges. The investigator said this had resulted in distress and inconvenience for Mr M. So he recommended AA pay him £150 compensation.

AA didn't accept that outcome. So the complaint was passed to me to decide. It said the referral had been made correctly – and it was the responsibility of the AMC to provide its terms and conditions of service to Mr M.

In July 2023 I issued a provisional decision. Its reasoning forms part of this final decision, so I've copied it in below. In it I explain why I intended to require AA to pay Mr M £150 compensation. I invited both to provide anything further they would like me to consider before issuing this final decision.

### ***What I've provisionally 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.*

*If a consumer contacts their broker to claim following an accident, that broker should provide them with information that's fair, clear, and not misleading – to enable them to make an informed decision about how they want to proceed. This should include discussing the pros and cons of claiming on their policy over using an AMC.*

*The significant risks of each choice should also be discussed. In particular, a broker should make the consumer aware that entering into an AMC agreement means stepping outside a regulated contract of insurance. This means they're likely to lose the option to complain to us if things go wrong. It should also be explained that if the third-party contests liability that the consumer is potentially liable for any unrecoverable credit hire costs and that they would need to enter into an unregulated credit agreement for these.*

*The broker should also act in the best interests of their customer – so before discussing credit hire/repair, we think the broker should investigate to see if these services are suitable for the consumer – for example, by checking the accident is likely non-fault and that the consumer has a need for a hire car.*

*If a broker doesn't explain a consumer's options properly, we'll try to put the consumer in the position they would have been in, had things been explained in a clear and balanced way. If we think the consumer's choice is likely to be the same, but the poor referral caused them additional unnecessary distress and inconvenience, which they otherwise wouldn't have had. Then we're more likely to say the referral was poor and ask the business to compensate them for the unnecessary distress and inconvenience it caused. However, if we find a business did everything we'd expect, then we wouldn't be asking it to do anything differently. I've therefore reviewed whether AA complied with what we'd expect below.*

*I agree with our investigator that AA's referral failed to provide some important information about the two options when explaining them to Mr H's son. In summary it failed to outline any potential downsides to the AMC option. The investigator's view set those omissions out, so I won't repeat that explanation in detail here.*

*AA said it conducted the referral correctly. It says any further information on the terms of the agreement is for the AMC to provide. But I disagree. It's required to provide clear, fair and not misleading information. By focusing on the pros and omitting the cons it failed to do that in a balanced way. It also failed to consider if the service was suitable for Mr M – as an example it didn't make any attempt to understand if he required a hire car before encouraging him to opt for the AMC.*

*Like the investigator I feel AA should pay Mr M £150 compensation. However, my reasons for it are more focused than those given by our investigator. I've listened to the claim notification call to AA. In summary I feel AA unfairly and unreasonably pressured Mr M (via his son) into choosing the AMC option.*

*As I've said AA didn't discuss the pros and cons of using the AMC. It presented only the potential benefits. Without any real discussion of Mr M's circumstances (beyond the collision circumstances) it said that option would be his best choice. Its adviser also said he would use the AMC if he were in Mr M's position (that was admittedly in response to a request for a recommendation).*

*It was clear throughout the call that Mr M and his son didn't understand the options – or the decision they were being pressured to make. The son explained a couple of times that his father had only just returned from accident and emergency (following the collision) so wasn't in a condition to decide. AA didn't accept that. Instead it highlighted the positives of the AMC choice again. Mr M's son asked if the decision could be made another time – making it clear the preference was for a call back the following day.*

*AA responded by acknowledging the decision didn't have to be made immediately – but pushed for a call back in the next few hours. Mr M's son again said the matter needed to be left until the next day as they had only recently returned from the hospital. In response AA increased the tension by introducing a potential risk. It warned the AMC option would be removed if not accepted before the TPI contacted Mr M. His son still didn't agree to the AMC. AA increased the tension again by introducing the possibility of the TPI contacting his father within the next hour.*

*Again Mr M's son didn't agree. He even said he wasn't sure his father required a hire car (one of the key potential benefits of the AMC option). So AA introduced the possibility of selecting the AMC referral there and then – but with the option of later opting out. Mr M's son again confers with his father. He returns to agree to the AMC.*

*There was much talk during the call by AA of it wanting the best for Mr M, by ensuring the AMC option remained available for him. This may have been genuine concern for Mr M's interests. However, not only were the potential cons of the AMC omitted, but the overall tone and approach to the call created unnecessary pressure and tension for Mr M to decide during the call. This was despite his son making it clear he wasn't in a fit state to understand the implications or decide. The reasonable request to delay the decision overnight was met with further pressure. Instead Mr M had to repeatedly discuss the issue, taking in the added tension and warnings.*

*This pressure placed on Mr M was unnecessary and unfair in my opinion – particularly so when he had only recently returned from hospital. I think it's likely this caused him unnecessary distress – feeling pressure to make an important decision when he wasn't in a condition to do so. To recognise this I intend to require AA to pay him £150 compensation.*

*I've also considered the impact of the actual referral. We asked Mr M's son to explain any loss or negative impact of using the AMC. However he failed to do so. Based on what I've seen I can't say there was anything significant. There were some communication issues and a delay in payment of his settlement by the TPI. These were caused by it being short staffed due to the Covid pandemic. So it's likely the same would have happened if Mr M had chosen his own insurer, rather than the AMC, for the claim.*

### **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.

Neither AA nor Mr M provided anything of significance in response to my provisional decision. That means I haven't been provided with anything to change my position. So for the reasons set out above AA will need to pay Mr M £150 compensation.

### **My final decision**

For the reasons given above, I require Automobile Association Insurance Services Limited to pay Mr M £150 compensation.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 18 August 2023.

Daniel Martin  
**Ombudsman**