

The complaint

Mr L complains AA Insurances Services Limited unfairly referred him to an accident management company (AMC).

What happened

In July 2023 Mr L's vehicle was involved in a collision with a third-party's. He called his motor insurance intermediary - AA - to register a claim for the damage to his vehicle. He says he incorrectly understood AA to be the provider of his insurance. AA referred Mr L to an AMC. This meant he wouldn't claim for the loss through his own insurance policy and insurer. Instead the AMC would arrange any repairs and a hire car and seek to recover losses from the third-party insurer.

In August 2023 Mr L complained to AA. He said he hadn't been made aware his claim was being handled by an AMC. He said he had thought it was being dealt with by his own insurer. He said he hadn't chosen to use an AMC. He felt he hadn't, when being referred to the by AA, been told his claim would only be paid if the AMC recovered losses from the third-party's insurer. He said his claim should have instead been passed by AA directly to his insurer for payment under his comprehensive policy.

In October 2023 AA responded to Mr L's complaint. It said it was satisfied with how it had conducted the referral. It said, during the referral call, it had provided Mr L with the key benefits of having his claim dealt with by the AMC. It added it was unable to provide information on the AMC's processes as it's a separate company.

Mr S wasn't satisfied so came to the Financial Ombudsman Service. He said delay in receiving settlement of his claim caused him to lose out on interest. He also wants to be compensated for the time spent chasing progress of the claim.

Our Investigator felt AA failed to give Mr L clear and fair information about the referral. He was of the opinion that had Mr L been better informed, he wouldn't have chosen to go with the AMC. To recognise the distress and inconvenience he has been caused the Investigator recommended AA pay Mr L £150 compensation. As AA didn't accept that outcome the complaint was passed to me to decide.

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 Mr L 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 them that I have considered everything provided.

I've listened to Mr L's call with AA. I've considered if he was provided with the information I'd expect in the circumstances.

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 includes making it clear the AMC is a separate firm to the consumer's insurer.

At the start of the call AA explained it was the intermediary and it named a different firm as being Mr L's insurer. However, considering the rest of the call, I don't think Mr L heard or understood the distinction. He appeared to consider he was speaking to his insurer – not the intermediary. During the call he was given inconsistent information by AA. And I can appreciate why he didn't understand he had been referred to an AMC – but instead considered his claim was being dealt with by AA, who he thought was his insurer.

AA did make some attempt at distinguishing between Mr L claiming under his policy and through an AMC. However, I don't think it did enough. There was no clear introduction of the options being presented to Mr L. Instead AA jumped into explaining that 'usually' when claiming through his insurer he would be required to pay an excess and would be entitled to a three door one litre car as standard. It then contrasts this with a 'service' available to him that guarantees he won't have to pay the excess and would provide a similar sized hire car during repairs. It refers to an 'after the event policy'.

At that point Mr L interrupts to ask if he was speaking to AA or AA insurance company. He's told 'AA insurance'. He explains his concern is having his car recovered. It seems he thought he was speaking to the roadside assistance arm of 'AA'. There's then discussion of recovery arrangements. AA then turns the discussion back to the absence of excess and similar sized hire car benefits. I accept it does say the claim would be made without making a claim against Mr L's policy.

Mr L again asks 'you are AA the insurance company?'. He's told 'yes'. Immediately after this AA says 'the recovery has already been arranged, we can also instruct for the hire and repair of the vehicle as well.'. AA then names the AMC and refers to it as 'our supplier' and as 'a supplier that we use'. AA also says it will 'instruct them (the AMC) now'.

In my experience consumers often don't appreciate the difference between the provider of their insurer and the intermediary that arranged it – particularly when policy documentation features the intermediary's branding. The initial explanation in the call clearly didn't register with Mr L. AA then raised and redirected the conversation to claims. Mr L asked twice if he was speaking to 'AA the insurance company'. In response AA said yes or 'AA Insurance'. It didn't explain to him that he was speaking to the intermediary – instead of an insurer.

It's of relevance that Mr L was in a stressful situation – in a damaged car at the side of a road following a collision. So it was particularly important that he was given information that was consistent and clear.

AA's references to the AMC were inconsistent and misleading – 'a service', 'our supplier', 'a supplier we use'. AA also said it would 'instruct them now'. These can all be taken as implying the AMC is acting on behalf of AA – as its agent. So I can understand why Mr L, believing AA to be his insurer, didn't understand he was being referred on to firm unconnected to his insurer or insurance policy.

Having considered Mr L's testimony and actions – including his rejection of a large hire car and later request for his claim to be dealt with by his insurer – I'm persuaded he wouldn't have opted for the AMC had he been given clear, fair and not misleading information. Instead he would likely, as he says, have claimed for his loss through his own motor insurance policy.

I can see that discovering his claim wasn't being handled by his motor insurer caused Mr L some distress and inconvenience. I can see he spent time, before and after he became aware of its actual status, dealing with the AMC. I accept he was caused some distress by the realisation his insurer wasn't handling the claim – and settlement would be dependent on losses being recovered from the third-party. I agree that £150 compensation is a fair amount to recognise this impact.

Mr L feels the referral resulted in his claim being settled later than it was – causing him to lose interest on the sum paid. However, I can't fairly say the referral to the AMC most likely resulted in him receiving settlement significantly later than he would otherwise. It was around two months from loss to settlement. The insurer had the claim for the majority of that time. And it seems, during the few weeks the claim was the AMC, there was some progress towards settlement – for example an engineer assessed and wrote off the car. So I'm not going to require AA to cover any loss of interest.

My final decision

For the reasons given above, AA Insurance Services Limited must pay Mr L £150 compensation.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr L to accept or reject my decision before 23 May 2024.

Daniel Martin
Ombudsman