

The complaint

Mr B complains that Automobile Association Insurance Services Limited (AA) treated him unfairly when he tried to renew his car insurance policy.

What happened

Mr B received a car insurance renewal quote in November 2022, based on a fixed-sum loan agreement and associated monthly repayments. He called AA to accept the renewal.

In December 2022, Mr B discovered his policy hadn't renewed. He contacted AA and it accepted it made an error. Mr B then failed AA's credit checks to finance the policy premium, but AA agreed to arrange monthly repayments, without interest.

In December 2023, Mr B was again refused credit to pay for his insurance premium and he had to make this payment upfront. He complained to AA.

AA issued a complaint response in January 2024. It said it hadn't carried out a hard search and Mr B's premiums hadn't increased due to its error. It accepted its error led to Mr B's policy not renewing in November 2022, so it paid him £150 compensation.

Mr B referred his complaint to the Financial Ombudsman Service. He said he was treated like a new customer by AA, because of its error in November 2022, and this is why a hard credit search was carried out. He said he was now having to pay for his car insurance up front. He wanted AA to allow monthly repayment of his policy premium.

The Investigator didn't uphold Mr B's complaint. They agreed AA was wrong to advise Mr B his policy would automatically renew in November 2022. They accepted a hard credit search was carried out, but they didn't think this was unfair. They recommended AA pay a total of £250 compensation, instead of the £150 it had paid.

AA accepted the Investigator's recommendation. Mr B didn't agree. He said he was now having to pay for his car insurance in full each year and AA's error caused further credit searches to be carried out. He didn't feel £250 was fair compensation. He said the Financial Ombudsman Service is able to put consumers back in the position they would have been in, if a business hadn't got things wrong.

Because the complaint couldn't be resolved, it's been 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.

Mr B received a renewal proposal in November 2022. The total amount payable was £528.77, with interest, based on a fixed-sum loan agreement. Mr B called AA and was led to believe his policy would renew in line with this proposal, but this didn't happen.

AA spoke to Mr B in December 2022. In this call, it accepted it didn't put Mr B through to the

renewals department as it should have when he called, and this is why his policy didn't renew. I'm therefore satisfied AA's error is what caused Mr B's policy not to renew in November 2022, as proposed, including the finance.

Mr B failed the subsequent credit checks in December 2022, but AA allowed him to repay the annual premium of £461.08 in monthly instalments. This repayment plan was not reported to credit reference agencies. So Mr B paid £67.69 less than he would have under the proposed finance. I think AA put Mr B in a better position at this time, than he would have been in if his policy had renewed as proposed. I say this because Mr B was able to pay for his cover monthly, without interest. So, I think AA acted fairly at that point.

During the call in December 2022, AA told Mr B it would switch off auto renewal for the next year. This was because the policy in December 2022 was set up based on an annual payment, with an informal repayment plan. So the renewal in 2023 would also be on an annual payment basis. During this call, Mr B raised concerns about failing checks for credit at renewal in 2023, and AA said a credit search would be carried out at renewal to check for affordability, if Mr B called in at that time. So I think AA did make it clear any future credit would be dependent on the affordability checks carried out.

In December 2023, Mr B contacted AA to renew his policy. Because he failed the credit checks at this time, he was declined credit and had to pay his annual premium up front. AA has been unable to evidence that if Mr B was able to renew in November 2022 without error, he wouldn't have been able to do so in the same way in 2023. Mr B was sent a renewal proposal in November 2022, based on finance and monthly repayments. So on balance, but for AA's error in November 2022, I think Mr B would also have been able to renew in 2023, based on finance and monthly repayments.

But I can't assume Mr B would always have been able to renew based on finance and monthly repayments, after his 2023 renewal. There's no guarantee credit would've continued to be offered and it's plausible the finance provider could've carried out further affordability checks at some point after 2023. Mr B accepts his credit score is unlikely to come back as good, so I think it's plausible the offer of credit could've been withdrawn after 2023. So I can't reasonably hold AA responsible for Mr B being declined credit for his policy after 2023.

Mr B pointed out this service's usual approach of putting a consumer back in the position they would've been in if the business hadn't got things wrong. AA has its own lending criteria and risk appetite, and Mr B failed its affordability checks. So it wouldn't be appropriate for me to direct AA to provide credit it doesn't believe would be affordable for Mr B.

I accept AA's error in 2022 caused Mr B considerable distress and inconvenience. Keeping in mind AA's resolution in 2022 meant Mr B paid £67.69 less than he would otherwise have paid, I think the Investigator's recommendation of £250 compensation is fair in the circumstances. I understand AA has already paid Mr B £150, so I will direct it to pay him a further £100 to take the total to £250.

AA accepts a hard search was carried out in 2024, but that this was with a view to seeing if it could offer Mr B credit at renewal in 2024. Given that Mr B wanted to pay for his insurance in monthly instalments, I don't think it was unfair for AA to carry out the checks it felt it needed to, to decide if it could provide credit to Mr B.

AA also said it searched its panel of insurers in 2023 to offer Mr B the most competitive premium and terms. It didn't report the repayment plan to credit reference agencies, and I've not seen enough evidence to persuade me this would've impacted on Mr B's premium. So I don't think what AA did in 2022, caused Mr B's premium to increase.

If Mr B has concerns about the calculation of his insurance premium, he can contact his insurer directly about this.

My final decision

My final decision is that I uphold this complaint. I require Automobile Association Insurance Services Limited to:

- Pay Mr B a further £100 compensation, subject to my comments above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 16 January 2025.

Monjur Alam
Ombudsman