

The complaint

Mr M has complained about the way UK Insurance Limited, trading as Direct Line (UKI) dealt with matters when he contacted it about an outstanding car hire payment in relation to his motor insurance policy.

What happened

Mr M's car was in a road traffic accident in June 2019 and so he made a claim on the policy. He was given a courtesy car for a short period and assumed everything relating to the claim had been dealt with and closed. However, in July 2023 he received a letter from solicitor's representing the car hire company, chasing outstanding payment.

Upon contacting UKI for assistance, he ultimately complained about what he felt to be a lack of support and inconsistency in its communications.

In response to the complaint, UKI stated that Mr M had entered into a credit hire agreement directly with the hire company, outside of the terms of the policy. As such, it was not responsible for investigating the matter. However, it accepted that it had not responded to a number of Mr M's emails, meaning that he'd had to call on several occasions. Therefore, it paid him £150 to compensate him for the poor service.

Our investigator concluded that UKI was unaware of issues with the courtesy car as it had paid the invoice it had been presented with. So, he thought that UKI's response to Mr M was reasonable, including the amount of £150 for any distress and inconvenience caused.

Mr M disagrees with the investigator's opinion and so the complaint has been passed to me for a decision.

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.

There's an unclear picture around what happened in October 2019. Mr M's policy included a benefit called Guaranteed Hire Car (GHC), meaning the cost of a courtesy car would be covered. UKI sent the GHC authorisation through to the hire company and Mr M picked up the car. The car was larger than he wanted and so, after a day, he asked if he could swap it of a smaller model, which was agreed.

This is when things went awry. From Mr M's point of view, he simply swapped one car for another, but was still under the GHC agreement provided by his policy.

However, in certain circumstances, the car hire company could offer a credit hire agreement, outside of the policy terms.

The distinction between a GHC and a credit hire agreement is that, under a GHC, responsibility for seeking costs back from the at fault third party would remain with UKI.

Under a credit hire agreement, the car hire company would seek payment from the third party directly.

Mr M has no recollection of signing a new credit hire agreement and the car hire company hasn't been able to produce one. Nevertheless, it seems that one was set up, whether incorrectly or not. I say this because:

- UKI was only invoiced for partial payment by the car hire company, rather than the full period when Mr M had a courtesy car. In fact, the amount of £11.51 that it paid didn't even amount to one day's car hire.
- UKI has a note that the car hire company rang it on 14 April 2020 to say they'd been chasing the third party for the hire outlay.
- The car hire company also emailed UKI on 14 April 2020 to say it had been chasing a particular insurer but that there was some conflicting information in relation to where the fault lay, so it was asking for the correct third party details.
- The car hire company's solicitor wrote to UKI in July 2023, saying they had been instructed to represent Mr M to recover replacement vehicle costs. It asked UKI if it had any unrecovered losses which it wished to include in proceedings.
- In May 2024 the car hire company instructed new solicitors who successfully recovered the costs from the third party.

None of the above would have happened if the car hire company wasn't working on the basis that Mr M had entered into a credit hire agreement directly with them.

Mr M says it was negligent of UKI not to tell him that that he was put into a credit hire agreement when he changed to a smaller car. But UKI would not have known that at the time. As already mentioned, it had authorised the GHC. Mr M says he sought prior approval from UKI to change the car. But that's a slightly different issue. Mr M was asking to swap the car under the GHC arrangement and UKI apparently agreed to that. But what actually happened when he took the car back to change it isn't something that UKI was party to. Therefore, any errors that occurred then would not be the responsibility of UKI.

It's not the purpose of this decision to get to the bottom of what happened at that point. The matter at hand is how UKI responded to Mr M's enquiries when he first contacted it in July 2023. And I think it could have done better. That's because:

- It told Mr M that it had paid the hire costs. It has later internal notes saying that it paid for one day's hire and was therefore not sure why the car hire company was chasing for costs. But it should have known that £11.51 was too small a sum and looked into that further.
- It should have known from the contact it received from the car hire company in 2020 that there appeared to be a credit hire agreement in place. So, it should have understood that the solicitor's letter Mr M received was in relation to the car hire company trying to recover their costs under that agreement, or clarify that further. Instead, it seems to have assumed that the solicitors had contacted Mr M in error and advised him it was OK for him to ask the solicitors to contact it instead of him.
- Having initially told Mr M that there was no payment outstanding and that he didn't need to liaise with the solicitors, by October 2023 it reversed that and informed him that he should cooperate with the solicitors.
- UKI carried out a review of the file but could have been more proactive in investigating the situation. Although it attempted to call the car hire company on a

couple of occasions, it couldn't get through. But it could have asked questions via the solicitor whom it was in contact with.

- As already mentioned, UKI failed to respond to a number of Mr M's emails, meaning that he had to call instead for updates.

Based on the available evidence, it was reasonable for UKI to conclude that the car hire company had set up a credit hire agreement. But it could have told Mr M that sooner, instead of giving him conflicting information.

Mr M has been caused a lot of stress and anxiety in having to deal with this issue. He says that his PTSD from the time of the accident has returned and that he no longer drives in case he has another accident and has to go through this again. But part of that stress was due to the repeated contact he was receiving from the solicitors, which was outside of UKI's control.

I've thought very carefully about what Mr M has said and have a great deal of sympathy for his situation. There is no doubt that he has been put to a lot of time and trouble. I'm glad to hear that the matter has now been resolved by the new solicitors, which must be a great relief to him.

I know Mr M isn't concerned about the compensation payment. His interest lies in wanting UKI to improve its service and for his experience not to happen to anyone else.

It's important to make clear that we are not the industry regulator. We have no power to regulate the financial businesses we cover, nor to direct them to change their processes or procedures. Our role is to investigate individual complaints made by consumers to decide whether, in the specific circumstances of that complaint, a business has done something wrong which it needs to put right.

On balance, whilst I have found that there was some poor service as set out above, I consider that UKI's apology and payment of £150 is fair and reasonable compensation for the distress and inconvenience caused. So, I won't be asking it to do anything more.

My final decision

For the reasons set out above, I do not uphold the complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 8 April 2025.

Carole Clark
Ombudsman