

The complaint

Mr T has complained that RAC Insurance Limited unreasonably and unfairly withheld £25 when he cancelled his roadside assistance cover as he wasn't aware it would renew automatically.

What happened

Mr T said he didn't know his RAC cover was renewing automatically, until he noticed the premium payment was taken from his bank account. Mr T then cancelled his cover and RAC retained £25 as an administrative fee.

When Mr T complained to RAC about his cover renewing automatically and that it had retained £25 when he cancelled his cover, it said it had sent the renewal invitation to the online portal and sent him an email telling him to check the portal. It also explained that the terms and conditions of the policy permitted it to charge a fee in the circumstances when Mr T cancelled his cover. So, it didn't think it had done anything wrong.

Mr T remained dissatisfied, so he brought his complaint to us. The investigator didn't think his complaint should be upheld. Mr T disagreed so his complaint has 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.

Having done so, I'm not upholding this complaint. I'll now explain why.

For the avoidance of any doubt, this decision will not concern Mr T's allegations that RAC mis-sold this policy. This is because as the investigator explained, under our rules, Mr T must first raise that issue with RAC direct and if he remains unhappy with its response, he will then be able to bring that complaint to us if he wishes. However, this service cannot get involved unless the business complained about has had the opportunity to deal with the complaint issue first.

Automatic Renewal and RAC's customer portal

Mr T had this cover from RAC since 2018 and RAC said it has automatically renewed every year, since. On that basis alone, I consider Mr T was aware his cover was going to automatically renew each year.

Further RAC has confirmed that Mr T opted from the start, for communications from RAC to be by email. RAC has shown us that it is using the same email address from 2018 which is the same email address that Mr T gave to us. So, nothing had changed in the manner of RAC communications with Mr T since 2018.

RAC also showed that it notified Mr T that his renewal invitation was available in its customer portal since 2019. And that it sent Mr T an email each year since, to inform him that his renewal invitation was waiting in the portal each time.

Mr T said he has never used the portal and didn't know it existed. However, RAC has shown us that Mr T registered with the portal on 22 May 2019, which was three days after the renewal email was sent to him on 18 May 2019. It has also shown us that Mr T last logged into the portal on 13 May 2021. So clearly, this evidence shows me that Mr T was not only aware of the portal but also used it.

RAC further showed us that in 2021 the renewal invite was sent to him via the portal on 13 May 2021 with a renewal quote of £109.99. Its records then show that Mr T phoned RAC on 1 June 2021 and he was provided with a discount to reduce his renewal to £85 for that coming year, which Mr T then accepted. So again, that shows me Mr T was aware of the contents of the renewal invite which had been uploaded to the portal and then he negotiated this discount.

I note that Mr T used RAC's roadside assistance on 30 November 2023, which of course shows Mr T was fully aware he had RAC cover in place in any event.

It's fairly standard practice for many businesses to use customer portals for things like managing policies or accounts and communicating renewal premiums etc. Therefore, I don't find them unusual. In any event RAC has shown me adequately, that Mr T both signed into its portal and indeed used it. Therefore, I consider that Mr T was aware his RAC cover renewed automatically and that his account could be managed through a portal.

Cancellation fees

RAC has shown us that in the 2024 renewal which was issued to Mr T on 21 August, in the accompanying schedule it says the following:

'If you have not made a claim and you cancel within 14 days of your renewal date, we will retain £25 of your arrangement and administration fee and refund any remainder. If you cancel your policy after this time further charges will apply - full details are in your policy booklet.'

This is because as detailed on the Schedule it says the roadside rescue up to a maximum of six call outs per year costs £110.99. And it further explains the arrangement and administration fee was £71.00. So, in effect to cancel the policy within 14 days of cover starting (as defined in the policy) RAC keeps £25 of this £71.00 arrangement and administration fee.

In the accompanying Insurance Product Information Document, it explains that '*you may cancel your policy at any time by contacting us. Details are included within your policy document.*'

In the policy document it details the full terms and conditions of how to cancel the cover. For policies of 12 months or over where it paid upfront or paid monthly, and cancelled within the 14-day cooling off period, it says the following:

'If you haven't used our service:

We'll refund the breakdown part of your policy in full. If you have paid an arrangement and administration fee, we'll keep up to £25 of it.'

Also, in buying RAC cover and renewing it since 2018, Mr T is deemed to have agreed the terms and conditions of the policy each year. Considering RAC adhered to the regulations in detailing the cancellation charges on both the schedule sent with the invitation to renew, plus in the policy document, that all shows me that it hasn't done anything wrong, as it informed Mr T of the cancellation charges that apply. So, I consider RAC has applied its cancellation fee correctly and reasonably and with adequate notice.

This service doesn't tell businesses like RAC what to charge its customers both for any cover or indeed cancellation charges. However, we do look to ensure they were explained upfront and fully detailed, which they were here by RAC. I also don't consider it's unreasonable to charge an administration fee to process any cancellation and I consider the amount that RAC charged of £25 to be reasonable and not excessive or punitive.

Conclusion

It's very clear Mr T's cover renewed automatically since he first joined RAC in 2018. And that he had to have been aware of that. It's further clear that Mr T did register with the portal in 2019 and last logged in 2021. It's also clear Mr T was aware of the cost of renewal in 2021 as detailed in his renewal invite which was uploaded to the portal, as he phoned RAC and negotiated a discount reducing the cost of his cover. It's also clear Mr T used RAC services in 2023.

I consider the contents of the renewal invite to include the schedule, informed Mr T of the relevant cancellation charges if he cancelled his cover within 14 days. And this is also mirrored in the policy document itself. So, I consider RAC gave Mr T adequate and cogent information of its charges to cancel this cover. Therefore, I don't consider it did anything wrong in retaining this £25, when Mr T decided to cancel his RAC cover.

My final decision

So, for these reasons, it's my final decision that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr T to accept or

reject my decision before 14 May 2025.

Rona Doyle
Ombudsman