

The complaint

Mr H has complained about the way AA Underwriting Insurance Company Limited (AAUIC) handled his claim under his Car Insurance policy and the impact this had on him. And about the effect this had on his ability to obtain insurance. He has also complained about the fact that AAUIC's agent referred him to an accident management company (AMC) to arrange the repairs to his car and arrange a hire car for him.

What happened

Mr H's car was damaged while it was parked outside his home in October 2022. He contacted AAUIC to make a claim for it. His call was taken by an AMC on behalf of AAUIC. It referred Mr H to one of its repairers to assess the damage to his car and carry out the repairs to it. And it referred him to another company to arrange a hire car for him. The idea was that the AMC claimed these costs back from the third-party insurer (TPI). The AMC also provided Mr H with an ATE policy, which was also underwritten by AAUIC; and which effectively protected him from any liability he had for the cost of the repairs and hire charges.

After around five months the AMC decided to write off Mr H's car due to its approved repairer finding some additional damage. It then referred the matter back to AAUIC, who considered the claim for Mr H's car under his own policy. AAUIC then settled the claim by treating Mr H's car as a write-off (total loss) and making a payment to him based on the market value of his car at the time it was damaged. As Mr H decided to keep the damaged car, AAUIC deducted what it would have got if its salvage agent had taken possession of the car.

It seems the AMC then claimed back what it had paid for hire charges from the TPI. And when it didn't pay these within seven days it claimed this amount back under the ATE policy. AAUIC then wrote to the other driver's insurer to claim this amount back, along with the amount it had paid under Mr H's policy for his car. While this was going on, the claim against Mr H's policy was marked on AA's records and the central database for recording claims, the Claims and Underwriting Exchange (CUE), as a 'fault claim'.

When Mr H's policy came up for renewal in February 2023, he didn't renew it as his car was off the road with the AMC's approved repairer. However, he had another car insured in his partner's name. And when the policy covering this came up for renewal at the start of 2024 Mr H tried to obtain some quotes for it in his name through a comparison site. He found the quotes he got were far higher than his partner had been paying. So, he contacted his broker AA Insurance Services Ltd (AAISL) for a quote. The agent told Mr H that the system had declined to quote for him. Mr H expressed concern to the agent about the fact he'd have to declare he'd had insurance declined. The agent said he would have to declare it, but that he didn't think it would have much impact as Mr H hadn't done anything wrong to cause the decline.

And Mr H has said when his partner told her insurer about Mr H's claim it increased the renewal premium to a much larger amount, which they couldn't afford. In the end, they decided to sell the existing car and buy a smaller one, which cost less to insure. Mr H tried to get a quote for drive-away insurance for this car, and the provider declined to provide one.

So, Mr H's partner added this car to her existing policy.

In the meantime, the claim against the TPI for the hire costs was ongoing and, following discussions with AAUIC, Mr H became concerned that the hire costs were unreasonable. Mr H complained to AAUIC. And it rejected his complaint. It explained that the claim for his car had been handled by the AMC originally, but a claim had then been made under his policy, which was settled on a total loss basis. It further explained that until it had recovered what it had paid, the claim had been marked as a fault claim and as pending. AAUIC went on to say that, while it was impacting Mr H in terms of premium, there was nothing it could do until it had recovered its outlay.

Mr H asked us to consider his complaint. One of our investigators did this. In his first view on it he said AAUIC should have settled the claim for the damage to Mr H's car more quickly and been more proactive in recovering what it had paid. And he suggested AAUIC should pay Mr H £150 in compensation for the distress and inconvenience he had experienced because of these delays.

Mr H didn't accept the investigator's view and made a number of points in response to it, which I will not repeat here. As a result of this the investigator issued a second view in which he said AAUIC could have handled things much better and that the impact on Mr H generally warranted compensation for distress and inconvenience of £500.

AAUIC agreed to the investigator's second view. But Mr H didn't and asked for an ombudsman's decision. He said he was always entitled to a courtesy car under his own policy and just paid a little extra to get a better hire car. He explained that he ended up in a car which generated over-inflated hire costs. He also queried the repair cost suggested by AAUIC and whether his car really was a write-off. He pointed out he lost the benefit of his no claim bonus in February 2025, as it expired at this time. He also detailed what he'd lost in selling his other car, which as I've already mentioned, he did because he couldn't afford to insure it. And he did not think £500 goes went enough in making AAUIC understand what it has done wrong.

I issued a provisional decision on 19 March 2025. In this I explained why I didn't think the fact Mr H had an open fault claim on CUE had impacted the quotes he got or was why he'd been declined insurance. But I did say I felt the declinature by AAISL could have been avoided. And I said £200 in compensation for the distress and inconvenience Mr H experienced because of this was fair. I also said AAUIC should provide Mr H with a letter saying the declinature only happened because of a delay in its part in dealing with his claim.

I then said the referral by the AMC wasn't good enough and that this had also led to a great deal of distress and inconvenience for Mr H and that this warranted a further compensation payment of £500.

I gave both parties until 2 April 2025 to provide further comments and evidence in response to my provisional decision.

AAUIC has come back and said I have ruled on a complaint point about the sale of the ATE policy to Mr H, which was not raised by him with it or the Financial Ombudsman Service. And this means it did not have the opportunity to review the matter as part of the complaint handling process. And it thinks this is unfair. It has also said it is concerned I expressed a view on this without having a recording of the call in which the policy was sold to Mr H. It has provided the recording as part of its response.

Mr H has also responded with some further comments. He's said he found my explanation of what happened at the outset of his claim alarming. He's also said his understanding at the

time was that AAUIC, on realising he had a non-fault claim, offered to upgrade the hire car he was already entitled to under his policy. But instead providing a like for like vehicle enabled it to pass him into an accident management arrangement. He thinks that if AAUIC had handled his claim under his car insurance policy with it from day one and had been provided with the right information to enable it to decide his car was a total loss, his claim would have been settled within weeks not months.

He's said he could have rejected the upgrade in the hire car if he had known all the facts. And he's mentioned the photograph that disappeared but was later used to quickly declare his car a total loss. And he's said he can't believe from doing nothing wrong he got pulled into an 'insurance scam' by a major insurer, which destroyed his insurance history, lost him 23 years of being a good driver and forced him to sell a vehicle he'd invested a lot of money in. And take a loss on the sale of this vehicle. He believes the claim was showing as 50/50 on CUE and that this meant the AAUIC informed the industry he had an outstanding 50/50 claim of over £80,000.

He's gone on to explain he believes that having the claim on the system led to AAUIC declining to quote for his replacement car and this meant he and his partner had to then declare he had had insurance refused. And he doesn't believe that the £700 in compensation I have suggested is enough compensation. And, as far as he is concerned he needs to be put back in the position he was in before the incident.

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, my view on the fair and reasonable outcome to Mr H's complaint remains the same as set out in my provisional decision. But I will of course explain why I think this in light of the comments from both AAUIC and Mr H.

I do not think Mr H complained about the sale of the ATE policy. What he actually complained about, as noted by AAUIC on 21 March 2023, was that he believed he was led into supporting an extortionate claim for hire which resulted in him being declined for insurance twice. And I think AAUIC could have worked out from this that what he was actually complaining about was being referred into an accident management and credit hire arrangement by the AMC he spoke to when he called to make his claim. This AMC appears to be part of the same group of companies as Mr H's insurance broker, AAISL. But I consider at the point Mr H first spoke to them it was acting for AAUIC. I say this because it was taking a first notification of loss call under a policy underwritten by AAUIC. So, I consider it is appropriate to hold AAUIC responsible for its actions as Mr H clearly intended to report and make a claim under his car insurance policy with it.

As I've already explained, this AMC put Mr H into what appears to have been a credit hire arrangement, alongside having the claim for the damage to his car dealt with by a repairer that was part of its repair network. The sale of the ATE policy was incidental to this and also done by the AMC on behalf of AAUIC. But it was not what caused Mr H to complain. All the policy did was protect him if the third-party insurer didn't pay the hire charges and what was paid out for the repairs to his car within seven days, as per its terms and conditions.

I've now listened to a recording of the call when Mr H reported his claim And having done so, I do not think what was actually happening was clearly explained to Mr H. The agent did make it clear he would not be claiming under his own policy. In fact she said she would be providing Mr H with another policy under which he'd be claiming, which wasn't technically the case. As at this point he was not claiming under the ATE policy. This came further down

the line when the third-party insurer didn't pay the cost of the hire car he'd had straight away.

What the AMC should have also explained to Mr H was that by not claiming on his car insurance policy and dealing with them he was stepping out of a regulated insurance contract, so was unlikely to have the opportunity of alternative dispute resolution if things went wrong. It should also have explained that Mr H already had courtesy car cover, which meant that, because it looked like his car was repairable, he would get a car while he was without his own car. The agent AMC didn't do either of these things and instead made it sound like going through them was by far the best option in his circumstances.

And it remains my view, especially in light of Mr H's further comments, that if the AMC had fulfilled its obligations on behalf of AAUIC Mr H would have decided to claim under his own policy. And it also remains my view that he should receive £500 compensation for ending up in an arrangement he should never have ended up in and experiencing the distress and inconvenience he did because of this.

It also remains my view that Mr H experienced further distress and inconvenience because he was declined a new policy by AAUIC. And I still think this was most likely because it had an open claim on its record. I believe that if AAUIC had tried to recover its outlay on the total loss of Mr H's car more quickly than it did this declination could have been avoided. And I think this warrants a further £200 in compensation for distress and inconvenience and the letter I mentioned in my provisional decision.

But I do not believe that it was this or the fact that Mr H had a fault claim on his record that led to him not being able to afford insurance for his other vehicle or being declined drive-away insurance. I think this was most likely due to Mr H having a claim against his record. And, despite the fact he and his partner declared it as non-fault, it having a big impact on the premiums they were being quoted and whether they were offered insurance. And I do not think it is at all likely that the comparison site Mr H used for quotes, or the provider of the drive-away insurance, accessed CUE and saw Mr H had a claim marked as open and 50/50 or fault.

I agree with Mr H that if he'd claimed on his own policy it is likely his claim for his car would have been closed in a matter of weeks, not months. But even if AAUIC had then recovered its outlay on this fairly quickly, Mr H would still have had a non-fault claim against his record. So, his future premiums and his ability to get insurance would still have been significantly impacted. And, as I explained in my provisional decision I cannot consider any problems or delay caused by the AMC's repairer.

Putting things right

For the reasons set out above and in my provisional decision, I've decided to uphold Mr H's complaint and make AAUIC do the following:

- Pay him £700 in compensation for distress and inconvenience. AAUIC must pay the compensation within 28 days of the date on which we tell it Mr H accepts my final decision. If it pays later than this, it must also pay interest on the compensation from the deadline date for settlement to the date of payment at 8% a year simple.
- Provide him with an email or letter confirming that it declined to provide a quote for his car in January 2024 due to delays on its part on a claim it was handling.

My final decision

I uphold Mr H's complaint about AA Underwriting Insurance Company Limited and require it to do what I've set out above in the 'Putting things right' section.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H to accept or reject my decision before 28 April 2025.

Robert Short
Ombudsman