

The complaint

Mrs C has complained that her former motor insurer, AA Underwriting Insurance Company Limited ('AA'), charged her an arrangement fee when she wanted to cancel her policy despite not informing her the policy had renewed automatically.

Mrs C's complaint was brought to us by her husband, Mr C, but for ease I will refer to his comments as Mrs C's.

What happened

Mrs C had a motor insurance policy with AA since 2020 which last renewed in November 2024. Mrs C said that in December 2024 she noticed that she was paying around £50 per month to AA but she wasn't sure what this was for. She called AA in January 2025 and was told it was for her motor insurance policy.

Mrs C said she didn't know her policy had auto renewed and had never been informed of this by AA. She wanted to cancel the policy as she thought she could find a cheaper premium elsewhere but was unhappy about the fact that she had to pay a £28 arrangement fee as well as a cancellation fee. She complained to AA and said that it hadn't been transparent about this fee and had never emailed to let her know the policy would auto renew. AA said this wasn't a fee it could waive as it was in its terms and conditions. It added that this fee was to cover its costs to set up and administer the policy including sending all the relevant information to Mrs C and to third parties including registering the policy on insurance databases. Mrs C asked AA to issue her with a complaint response letter so she could bring her complaint to our service.

Mrs C then brought her complaint to our service and said that AA admitted that her account had never been set up correctly and that's why she wasn't notified of the renewal. She said she wanted AA to waive the £61.61 cancellation and arrangement fees it wanted to charge her and to refund her the difference between her initial premium and her £50 premium.

One of our investigators reviewed the complaint but didn't think it should be upheld. Our investigator said he would reconsider his view if Mrs C was able to provide evidence that she had alternative cover in the meantime, bearing in mind she said she didn't know her policy had auto renewed. But as this wasn't provided, he didn't change his view.

Mrs C didn't agree. She said the last renewal email she received from AA was in 2022.

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.

When Mrs C took the policy out in 2020, AA wrote to her and confirmed that the policy would auto renew the following year. This was also confirmed in letters sent over subsequent years. So it appears that the policy auto renewed over all the years Mrs C was insured with AA. AA has also provided a copy of a conversation it had with Mrs C in December 2022 when Mrs C called to say she wasn't happy with her renewal quote and said she had found a cheaper quote online. AA agreed to offer her a discount which she accepted. In that call Mrs C confirmed she had received her renewal invite. I think this indicates that AA was writing to her at the correct address and keeping her up to date and that she was aware the policy auto renewed.

AA has provided a copy of the renewal letter sent to Mrs C on 26 November 2024. This was sent to the address it had on file for her at the time which was the same as the address it wrote to in 2022. During Mrs C's call with AA in January 2025, she told AA that this was her old address and provided a different address. So it seems at some point between 2022 and 2024 Mrs C changed address. Nevertheless, as it appears this was the first time AA was being made aware of the change of address, I don't think it is responsible for Mrs C not receiving any correspondence sent to her old address after she moved. I think it was for Mrs C to inform AA that she had moved address. In any event, during the call AA also confirmed the email address it had on file for Mrs C which was still a valid email address and belonged to Mr C.

Mr C said that the last renewal email he had from AA was in 2022 but AA has provided copies of renewal emails it said it sent in 2023 and 2024. And it has shown us its internal records which show that it had the correct spelling for Mr C's email address. On balance, I think the emails were sent to the correct address, but it is unclear why Mr C never received them. But in any case, as I said above, Mrs C was already aware her policy was auto renewing as confirmed in her communication with AA in 2022. So, even if Mr C wasn't receiving the emails, the fact that the policy auto renewed each year is something Mrs C was already aware of. And, as I said above, I think AA did enough to ensure that Mrs C also received the renewal letters in the post.

Mrs C said that AA admitted to her that the reason why she didn't receive the renewal documents was because her account wasn't set up on its online system. When the policy was taken out, AA informed Mrs C she could set up an online account and provided information on how to do this in one of its initial letters. My understanding is that having an online account would have enabled Mrs C to manage her account more easily, including updating her address. Mrs C said she did not set up an online account when she took the policy out, but I don't think this meant there was something wrong with her policy, or that AA wasn't able to communicate with her. AA has shown that it was still able to write and send emails to her despite this. So, I think the fact that Mrs C didn't have an online account didn't disadvantage her in any way. And I think the onus was on her to set this up, and, as I said above, instructions were provided by AA when the policy was initially sold.

The terms and conditions state that where the policy is cancelled outside 14 days, as was the case here, AA will charge a £32.50 cancellation fee and a £28 arrangement fee. These charges are also included in AA's renewal letters and in the initial letter when the policy was first taken out. So, I think they were sufficiently highlighted.

Mrs C said she was happy to pay the cancellation but not the arrangement fee but as AA couldn't take a partial payment she disputed the entire amount. We don't think it's unfair for insurers to charge fees such as cancellation or arrangement fees as long as they are justified as well as fair and proportionate to the task involved. AA said that the arrangement fee is chargeable and it is for the work required to administer the policy including notifying other parties when a policy is set up or cancelled. And the cancellation fee is for an agent to physically cancel the policy. Overall, I think the fees, which come to just over £60, aren't unreasonable bearing in mind the amount of work required for AA to administer and cancel the policy. So I think it is fair and reasonable for AA to charge them.

Mrs C said she wanted to be paid the difference between her initial premium and the new premium. As I think AA did enough to notify her of the renewal, I don't think it is responsible for paying this amount back to her. And Mrs C hasn't shown she had alternative cover at the same time.

I appreciate Mrs C will be disappointed with my decision but for the reasons I have given, I don't think AA has acted unfairly or unreasonably in these specific circumstances.

My final decision

For the reasons above, I've decided not to uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs C to accept or reject my decision before 7 October 2025.

Anastasia Serdari
Ombudsman