

The complaint

Miss B complains about RAC FINANCIAL SERVICES LIMITED (RAC) refusing to refund a premium after her breakdown policy automatically renewed, which she says happened without her consent. She wants RAC to refund the full premium.

References to RAC in this decision include their agents.

What happened

Miss B took out a breakdown policy with RAC (by phone) in February 2024, covering her vehicle for roadside and home rescue, at a total cost of £88.50 (of which £55.00 related to arrangement and administration fee). The welcome pack issued with the policy stated the policy would run for 15 months and renew in May 2025 and set out a renewal preference that the policy would renew automatically (which could be changed online through her account or by phone).

RAC issued a policy renewal notice in April 2025, for 12 months, at the same total price of £88.50. The renewal notice referred to the renewal date and that the policy would automatically renew around that date, with the option to amend the policy or cancel the automatic renewal by contacting RAC.

Miss B didn't contact RAC, so the policy automatically renewed. But Miss B was unhappy with the service she'd received, so contacted RAC in June 2025, saying she hadn't received the renewal documents and was unaware the policy had renewed. She requested the policy be cancelled and a full refund made. RAC processed cancellation, which generated a pro-rata refund of £34.62 (as the terms of the policy provided for RAC to retain £25 of the arrangement and administration fee if the policy was cancelled within 14 days, or additional charges if cancelled after 14 days).

Miss B said she hadn't received the renewal notice (by post, which she'd selected as her preferred method of communication) and questioned whether she'd agreed that the policy would renew automatically. So, she complained to RAC.

In their final response, issued in June 2025, RAC didn't uphold the complaint. They said a renewal notice was issued in April 2025 and the policy automatically renewed in line with the agreement. Having reviewed the sales call in which Miss B took out the policy, it confirmed Miss B was advised the policy was set up to renew automatically and she agreed to the arrangement. The cancellation fee was advised in the policy welcome pack and renewal notice and policy terms and conditions. RAC also referred to the policy cancellation and refund of £34.62.

Miss B then complained to this Service. She said she didn't want to renew the policy when it came up for renewal. She said she'd previously received letters from RAC saying if she wanted to renew the policy, she would have to phone them to do so. She'd assumed this would apply at policy renewal. However, the policy was renewed without her consent. She'd been told by RAC that they had changed their renewal procedures and that all policies would renew automatically. She'd asked RAC for a full refund, but they had only offered a partial refund rather than the full renewal premium. She wanted RAC to refund the full premium.

Our investigator didn't uphold the complaint, concluding RAC didn't need to take any action. She'd listened to the call in which Miss B out the policy, in which the agent advised the policy would be set up to renew automatically and took payment details, asking whether Miss B was happy for them to be used for the renewal of the policy, to which she agreed. The agent also advised Miss B could change the way the policy renewed should she not want this to happen automatically, by calling RAC or via her online account. The welcome pack issued after the policy was taken out included the same information. A renewal letter was issued in April 2025, stating the policy would renew automatically. The investigator also concluded RAC acted in line with the policy terms and conditions on cancellation, including a partial refund (not a full refund).

Miss B disagreed with the investigator's view and asked that an ombudsman consider the complaint. She said she didn't want to renew the policy, so had ignored letters from RAC. She also disputed agreeing to automatic renewal of the policy.

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.

My role here is to decide whether RAC have acted fairly towards Miss B.

The main issue in Miss B's complaint is whether RAC acted fairly in setting up her policy to renew automatically and whether she should reasonably have been aware of the fact. RAC say she was advised of the policy renewing automatically during the call in which she took out the policy. The same information was contained in both the welcome pack issued after the policy was taken out and the renewal letter issued the following April. Miss B says she wasn't aware of the policy renewing automatically.

A secondary issue is whether RAC acted fairly in only making a partial refund of the policy when Miss B cancelled the policy, shortly after it renewed automatically. Miss B says she should have received a full refund, but RAC say they applied the policy terms and conditions as they relate to policy cancellation.

On the first issue, given its importance in deciding whether Miss B should reasonably have been aware that the policy had been set up to renew automatically, I've first listened to the sales call in which the policy was taken out in February 2024. The call confirms Miss B's new address, before asking about the level of cover required and the potential cost (Miss B had a policy previously with RAC but had forgotten to tell RAC of the change of address so hadn't received the policy renewal and the policy lapsed). After some discussion of price, the agent offers a new policy covering 15 months (rather than the normal 12 months) at a cost of £88.50, which Miss B accepts.

The agent says the policy is set to renew automatically (which can be changed) and Miss B confirms she is content to proceed and that the renewal will be charged to the card details Miss B had previously provided. The agent also outlines the charges on cancellation, and the breakdown of the cost of the policy between the cover (£33.50) and the arrangement and administration fee (£55.00).

So, I've concluded Miss B was made aware the policy was set up to renew automatically, and she accepted the arrangement, including that the renewal would be charged to card details she'd previously provided.

Following the sales call, RAC sent a welcome pack in February 2024 confirming the policy details. The pack includes the following statement about the policy renewing automatically:

“Renewal preferences: Your membership will renew automatically. You can change this online in your MyRAC account – or by calling [number provided].”

So, I've concluded this confirms the policy will renew automatically.

RAC then issued a renewal letter in April 2025, which also refers to the policy renewing automatically:

“Your policy renews automatically on 22/05/25 and we'll be taking payment around that date...If you want to amend your policy, cancel your automatic renewal, or don't need cover any more, just get in touch...”

So, this again confirms the policy will renew automatically.

Taking all these together, I've concluded Miss B should reasonably have been aware the policy was set up to renew automatically. Had she been unhappy with this arrangement, she was also provided with details of how to change it. As RAC didn't hear from Miss B, then I think it was reasonable for them to assume she remained happy for the policy to renew automatically, and I can't conclude RAC acted unfairly or unreasonably.

Moving on to the second issue, the partial refund made by RAC on cancellation of the policy, I've noted the policy terms and conditions set out how a cancellation will be calculated. A table on page 23 sets out (for policies of 12 months or longer, paid upfront the following arrangements (after the cooling off period):

“If you haven't used our service. If you have paid an arrangement and administration fee, we'll keep some this fee to fairly reflect the time you have been covered. We'll also keep up to £50 of what's left. For the breakdown part of your policy, we'll refund what you paid, minus an amount to reflect the time you have been covered.”

The breakdown of the premium refund provided by RAC shows that of the refund of £34.62 £32.03 was in respect of the breakdown element of the total premium and £2.59 in respect of the arrangement and administration fee. Looking at the figures, they look reasonable and in line with the policy terms – the bulk of the refund is for the breakdown element, which is consistent with the policy being cancelled very soon after renewal.

So, I've concluded RAC acted in line with the terms and conditions of the policy when calculating the partial refund of the total policy cost, not refunding the total cost paid.

Taking these conclusions together, I've concluded RAC have acted fairly and reasonably. So I won't be asking them to take any action/

My final decision

For the reasons set out above, it's my final decision not to uphold Miss B's complaint. Under the rules of the Financial Ombudsman Service, I'm required to ask Miss B to accept or reject my decision before 5 February 2026.

Paul King
Ombudsman