

The complaint

Mr T says RAC Financial Services Limited provided poor service and poor complaints handling, and charged too much for his motor breakdown policy, without due notice.

What happened

Mr T had a breakdown policy with RAC from 2021, which was on continuous monthly renewal. In October 2022, 2023, and 2024 RAC sent him an email and documents setting out the policy's terms and conditions and its price for the following year. Mr T's contact preference was email, but the documents were stored in the online portal.

In December 2024 Mr T noticed that two payments of £47.98 had been taken from his bank account, so he called RAC to query them. He told us those sums were twice those previously deducted on a monthly basis for the policy. And he said he hadn't been informed about the renewal, as RAC had used an incorrect email address to contact him.

Mr T cancelled the policy during the call with RAC and was given a partial refund. He told us he wasn't happy with that and said he'd had to spend time on the issue, which shouldn't have been necessary. Mr T also said he didn't get the final response to his complaint from RAC (dated 9 December 2024) until 14 February 2025, as it also went to the wrong email address. He said he'd had to make a subject access request (SAR) in order to get the details from RAC that he needed about what had happened. And he said there had been a delay in communication by RAC, plus internal confusion about his complaint.

In its final response letter, RAC said Mr T had agreed to continuous renewal in 2021, that he'd been sent updated documents each year since then and that his membership was active until 2024. RAC noted that Mr T had queried the price rise for the policy in 2024 after it took effect. It said increases in price were due to numerous factors and were set out in the documents in advance of their implementation. Subsequently it accepted that its complaint response was sent to the wrong email address, and it agreed to refund the rest of the sum he was charged for the 2024/2025 policy, despite believing the sum charged was correct.

One of our Investigators reviewed Mr T's complaint. He said RAC had shown that the policy documents in 2022, 2023, and 2024 were all sent to the correct email address. He said they all showed the increase in the premium for the next year. In his opinion, RAC had communicated properly with Mr T in 2024, giving him notice of the price increase. He thought Mr T was aware that the cover was ongoing through continuous renewal, as he'd made use of it each year. He noted that Mr T had also queried an admin charge, but he said it was shown in the policy schedule. He agreed that RAC's final response went to the wrong email address, but he said Mr T was able to complain to us after eight weeks anyway. So the Investigator thought RAC's offer to refund the whole sum it had charged was fair.

Mr T said the policy documents weren't sent to him by email, but were just stored in the online portal, which he never used. He said there was no evidence that he'd agreed to continuous renewal. He said he'd had to chase RAC to get its final response letter, and that RAC had handled the complaint in a contradictory way by saying he should get no refund,

then a partial refund and finally a full one. He said that (in addition to the full refund already offered) he wanted up to £300 compensation for distress and inconvenience.

The Investigator said RAC had fulfilled its obligation by contacting Mr T by email in advance of the revised policy charges and that it was his choice not to view the portal. He said RAC's screenshots showed the policy was on monthly continuous renewal and that Mr T had made claims on it from the start. He said complaints handling wasn't a regulated activity. Mr T said it was *ancillary* to a regulated activity, so it was covered.

As there was no agreement, the complaint was passed to me for review.

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.

Automatic renewal

I think RAC has shown that Mr T agreed to continuous automatic renewal on a monthly basis in 2021. It was stated clearly in the policy documents sent to him at inception, and in each of the following years cover was stated to be on that basis. RAC has shown that it sent an email to his correct email address in October 2021 and October 2022 and uploaded documents to the portal each time, setting out the new price for the following year. In 2022, the price rose from £54 to £102.99. As Mr T didn't challenge it or cancel the policy, it continued. And in October 2023, the price rose again, to £208.99. Mr T didn't query it.

In 2024, as usual RAC sent Mr T an email which referred to the documents sent to the portal. And as usual it set out the price of cover for the next year, which had risen to £499.99. It says the increase was largely due to the fact that Mr T had made two claims during the previous policy year (in December 2023 and in August 2024). Although Mr T said he didn't get the 2024 email, he opened it during a call with RAC on 4 December 2024.

As Mr T used the policy from 2021 to 2024, he knew it had renewed after the first year and had continued to do so, and he must have been content with that. The emails / documents were made available to him in advance of the new prices each year, so Mr T could have cancelled the policy in any month before the charges increased. The same goes for the administration charge. I don't think it's unreasonable for insurers to make such charges, as long as they notify consumers in advance, so they have the chance to query and / or avoid paying them. The charge was shown on the documents each year, including in October 2024, so if Mr T thought it was unreasonable, he need not have continued with the policy.

Communication

Mr T says RAC is required by industry principles and rules to provide information to consumers in an accessible format. As his preferred option for contact was by email, he doesn't think it's fair that he was contacted by email but directed to use the portal to see the documents. I don't think an online portal is inaccessible to most consumers, but had Mr T objected to using it, I would have expected RAC to provide all the documents to him by email. There's nothing to show that he did object. I think it was reasonable for RAC to assume that he was satisfied with the arrangement as he had never queried it before 2024.

Rise in premium

The cost of insurance policies generally rises each year due to general factors affecting the industry, but the cost of any policy on which a claim is made is likely to rise even further. In this case RAC had covered two claims during the 2023-2024 policy year for Mr T. I don't think the available evidence shows that it acted unreasonably in increasing its charges for cover – and in any event, Mr T could have avoided paying the higher charges had he just checked the documents before the increased payment took effect.

In terms of the premium increase, Mr T has referred to an uphold decision made by an ombudsman in a case he thinks is similar to this one. We aren't bound by other decisions, as each case we review is considered on its own merits. But in the case Mr T has referred to, the ombudsman upheld the complaint on the basis that insufficient information had been provided to us by the insurer about a significant increase for a consumer's motor insurance policy. As this is a breakdown policy, and the pricing of them isn't regulated, RAC didn't have to provide more specific information to us than it has done. So the complaints aren't alike.

Incorrect email address / complaints process

As RAC used the wrong email address when dealing with Mr T's complaint, it delayed the point at which he saw its final response letter. The complaints handling process in itself isn't a regulated financial activity, but Mr T says if poor complaints handling materially affects the operation of a regulated activity, it's ancillary to that activity and therefore falls within our jurisdiction. Mr T's complaint was made during a call on 4 December 2024 and RAC had eight weeks to respond to it (by 29 January 2025). It replied to the complaint on 9 December 2024, but the reply wasn't sent to his correct email address until 14 February 2025, so it was two weeks late. I can see why that would have been frustrating, and I think I can look at the issue, as in my opinion its ancillary to the financial service Mr T had complained about.

Although RAC had already cancelled Mr T's policy at his request during the call on 4 December 2024 and had provided a partial refund, he had complained about other issues (such as not being made aware of the premium increase in 2024). I think he was entitled to know what RAC's response to all his concerns was. He could have complained to us eight weeks after complaining to RAC, so the referral process need not have been delayed. But the short delay in getting the final response from RAC caused Mr T some upset and inconvenience, as he had to chase it. He says that when he found out what had happened, he was concerned about a possible data breach. And he wasn't happy that RAC had debated how to deal with his complaint, which he thought showed a lack of consistency.

I don't think it's unreasonable for an insurer to discuss how best to deal with a complaint. In my opinion, it's entitled to do that, and to change its mind. I don't think RAC's deliberations had any direct impact on Mr T. I'd normally say RAC should pay him a modest sum in compensation for the distress and inconvenience caused by having to chase its response. But I have to take into account that it refunded part of the charge for the 2024 premium in December 2024, and that it refunded the rest of the charge to Mr T in recognition of its error. I don't think RAC was obliged to make a refund, as in my opinion it has shown that it notified Mr T of the increased premium for 2024 in good time, and he could have avoided it. So I don't think it would be reasonable for RAC to have to pay Mr T more.

In summary

In my opinion, Mr T agreed to continuous automatic renewal and RAC communicated with him properly about that. I think it was entitled to raise the premium as it did (with due notice) and that it tried to make up for its poor service with the complaint process. I appreciate that Mr T won't agree, but I don't think it would be fair and reasonable to uphold his complaint.

My final decision

My final decision is 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 26 February 2026.

Susan Ewins
Ombudsman