

The complaint

Mr R complains that AA Underwriting Insurance Company Limited offered an unfair settlement and withdrew a hire car before it had settled the claim on his motor insurance.

What happened

Mr R had an AA motor insurance policy. In January 2025, he made a claim on his policy after his car was damaged in an accident. He took out a separate 'after the event' insurance policy to cover the cost of a hire car while his own was being assessed.

AA declared the car a total loss. It initially valued the car at £2,571, then increased this to £2,695. It offered this sum to Mr R to settle the claim.

Mr R didn't accept this. He provided several adverts that he said showed AA's offer was too low. He was also unhappy that AA withdrew the hire car as soon as it made the settlement offer. He said AA had agreed he could have it for longer and cancelled it the day before a planned family holiday. As he didn't have time to arrange a new car, he was forced to cancel the holiday.

Our investigator didn't uphold the complaint. She found four valuations based on the same make, model, year, and mileage as Mr R's car. The highest of these was £2,683. Based on this, she thought AA had offered Mr R a fair market value. She was also satisfied that it was reasonable for AA to cancel the hire car when it did.

Mr R didn't agree with our investigator, so the case was passed to me to make a final decision.

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.

There are two issues here: AA's valuation of Mr R's car, and the hire car benefit under the separate insurance policy. I've considered each below.

The policy says if AA can't repair Mr R's car, it must pay him its market value. The policy booklet defines market value as: *"the cost of replacing the Insured Car with one of the same make, model, age, mileage, specification and condition at the date of accident or loss."*

When we look at complaints about valuations, we first check the relevant valuation guides and consider whether the insurer has made a reasonable offer in line with them. These guide values are based on nationwide research of selling prices.

AA sent us the guides it used to value Mr R's car. These gave values of £2,695, £2,447, and £2,400. It initially offered the average of the two highest valuations, then increased this to the highest valuation. Our investigator found the following valuations based on a similar make, model, mileage, and condition of Mr R's car at the time of loss: £2,650, £2,235, £2,683, and £2,646. So I agree with our investigator that AA's offer is in line with the highest valuation

guide.

The issue here is that Mr R says he can't buy a replacement for this sum. He's provided adverts showing similar cars to his own that he says shows AA's offer is too low.

AA told Mr R: "*Adverts online by sellers and dealerships are profit influenced, and not true reflections of price therefore are not taken into account.*" I don't think that's entirely fair. While I accept that adverts can be misleading because sale prices are often lower than the advertised price after negotiations between buyer and seller, this service thinks they're still a useful way of checking how much it might cost a customer to buy a replacement vehicle.

So I've reviewed the adverts Mr R provided throughout his claim. He initially sent AA ads for cars selling for £2,995, £3,500, £3,300, and £2,500. The first three are all a year 'younger' than Mr R's car; the third is a year older, although with similar mileage. He later sent more adverts to us with a range of prices, years, model, and mileage.

I've also looked at current adverts with a well-known online car sales platform. I accept it's now eleven months since the accident, but I don't think the market has changed significantly since then and I think they give a helpful idea of availability and price. Having reviewed this, I'm satisfied that there are similar cars to Mr R's currently on the market at less than AA's offer. Indeed, a car that's an incredibly close match to Mr R's is advertised at £2,695.

On balance, I'm satisfied that a valuation in line with the highest of the guides is appropriate. It follows that I think AA's settlement offer is fair.

Mr R bought an additional insurance policy when he reported the accident. This covered – among other things – the cost of a hire car while his car was being assessed. The third party's insurer (TPI) accepted liability for the accident and liable for AA's costs. AA is under a duty to mitigate these costs, as it explained to Mr R. It offered settlement for his car on 31 January, and made a revised offer on 2 February. I don't think it's unreasonable for AA to consider ending the hire period at that point to cap the TPI's liability.

Mr R has argued that AA told him he could have the car for seven days after paying the settlement. However, AA's records show that he refused to provide his bank details to allow it to make this payment, even after it explained that its offer represented an interim payment which he could still challenge. I don't think Mr R can reasonably argue that he should have the hire car for seven days post-payment when he was refusing to accept this payment.

AA's internal records show it told Mr R on 6 February that it intended to withdraw the hire car. I found no evidence that it offered to extend the hire period beyond 13 February. I recognise that the timing – just before Mr R and his family were due to go on holiday – was extremely unfortunate. But car accidents and insurance claims can cause disruption. And while I sympathise with Mr R, my role is to decide whether AA did anything wrong. Overall, I think its actions were in line with the policy terms and were fair. It follows that I don't uphold this part of the complaint.

My final decision

My final decision is that I don't uphold the complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr R to accept or reject my decision before 19 December 2025.

Simon Begley

Ombudsman