

The complaint

Mr G complains about the way ARAG plc (“ARAG”) handled a claim under his hire car insurance cover. When I mention ARAG I also mean its suppliers.

What happened

Mr G had a car insurance policy for his car taken out through a broker. He also took out a policy through the broker that provided him with a hire car in the event of a covered incident.

He was on holiday a few hundred miles from home when he was involved in a collision causing damage to his car.

He contacted his broker and made a claim. Under the hire car cover, he’d be entitled to a hire car, or other assistance with costs, to help him, and his family and dog, make their journey home.

ARAG’s hire car company couldn’t provide him with a car, and Mr G felt public transport wasn’t an option because of their dog and the complexity of the journey.

He hired a car through another company and made the journey home. He also needed to book another night’s accommodation until the car could be supplied. The broker agreed to pay £100 for the accommodation.

He complained that a hire car wasn’t available to him. The broker passed the complaint to ARAG. After eight weeks, the broker said Mr G could approach this service.

ARAG then responded and said it would consider Mr G’s costs for the hire car and the higher cost of the extra night’s accommodation. It said it would pay £100 compensation for his distress and inconvenience caused by its service.

He provided his costs to ARAG and it said it would pay his costs up to £436.40. He also complained about its speed of response. He said he’d had to borrow money because his costs hadn’t been reimbursed. He also commented about his fuel costs for the journey.

Our investigator looked into it and thought it would be upheld. She thought ARAG should pay an additional £200 compensation because of the length of time it had taken to respond to Mr G and settle his claim.

ARAG didn’t agree with the view. It said it had covered more than it should have done under the terms of its policy. It didn’t agree the compensation amount should be increased.

Because ARAG didn’t agree, this complaint has been 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.

I'm upholding this complaint and I'll explain why.

I'll comment that Mr G's original complaint was about the failure to provide a hire car. But ARAG has responded to the points made about the speed with which it dealt with Mr G's claim, so I think I can include this within my decision.

I can see from the file that Mr G was involved in an incident on 20 June 2025. ARAG's hire car supplier (which ARAG is responsible for) said it wasn't able to provide him with a hire car under the policy for another few days due to availability in his holiday location. I can see it initially instructed a provider in his home location, but this wasn't correct.

ARAG told him he could make his way home using public transport and claim back the costs.

Mr G felt he wasn't able to wait due to time off work, so he hired another car. He also felt that the journey home by public transport would be too long (in the region of eight hours and several changes) for his large rescue dog.

So, he booked a night's extra accommodation and made his way home the following day. He told ARAG that he'd incurred extra costs, via the broker, and it had that information on 25 June. ARAG then took until 20 August to ask for the invoices. Mr G replied the same day, and ARAG paid him about 23 days later.

I've looked at the cover Mr G bought. This says ARAG will pay if a hire car cannot be provided:

"What is insured?"

If we cannot provide a hire car, we will contribute towards your transportation costs at a daily rate of £20 per day up to a maximum of £560 per claim."

ARAG accepted it would pay total hire costs of £242.40 plus a One-Way Surcharge of £144.00, making £386.40.

ARAG also refunded the extra £50 Mr G had paid for accommodation over and above the broker's contribution.

I think ARAG's decision to refund Mr G's costs above the cover in the policy is fair and reasonable.

Mr G has also commented on his fuel costs for the journey home. This is excluded under the policy terms so I've not considered those further here.

But Mr G complained about the time it took ARAG to settle his claim. As I mention above, I can see ARAG was aware of the claim and Mr G's costs on 25 June when it was made aware by the broker that he'd made a complaint about the hire car availability.

It responded to the view and said it didn't agree with the additional compensation awarded by our investigator because it was allowed eight weeks to respond.

But under the regulator's rules under the Financial Conduct Authority's Insurance Conduct of Business Sourcebook 8.1.1R it says:

"An insurer must:

(1) handle claims promptly and fairly; and

(4) settle claims promptly once settlement terms are agreed.”

ARAG was aware of the claim and complaint on 25 June. It upheld Mr G’s complaint, offering £100 compensation, on 20 August. I don’t think this means it handled the claim promptly, although I say above that its eventual settlement was fair.

Then, when it had the invoices from Mr G, it took a few weeks further to pay him. Given this was already a complaint that had reached this service, I can’t fairly say that’s “promptly” settled.

ARAG has said that it’s allowed up to eight weeks to review a complaint, and I agree that’s in line with the referral rights to this service. But I’d remind ARAG that the eight weeks is not a target, but a deadline. As there was an active claim underway, it still needed to deal with that in line with ICOBS 8.1.1.

Taking all this into account, while I agree that ARAG’s settlement of the claim above the terms of the policy wording was fair, I think the time it took to deal with and settle the claim has caused Mr G distress and inconvenience. He’s talked about having to chase up settlement of his claim and the money problems it’s given him. I’ve thought about this, and considered this service’s guidelines on compensation, and I think the amount should be set at £300 in total. This includes the £100 already offered by ARAG.

My final decision

It’s my final decision that I uphold this complaint. I direct ARAG plc to pay Mr G total compensation of £300. If the £100 it’s already offered hm has been paid, then this can be deducted.

ARAG must pay the compensation within 28 days of the date on which we tell it Mr G 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.

Under the rules of the Financial Ombudsman Service, I’m required to ask Mr G to accept or reject my decision before 26 February 2026.

Richard Sowden
Ombudsman