

The complaint

Mrs D is unhappy with how AA Underwriting Insurance Company Limited (AA) handled a claim under her motor insurance policy.

What happened

The circumstances of this case are known to both parties, but in summary Mrs D has a motor insurance policy underwritten by AA. In January 2025, Mrs D experienced damage to her car due to the way a utility company obstructed her property. Mrs D raised a claim under her policy, however the utility company later disputed being responsible for the damage and the claim was subsequently closed and recorded as “information only.” Unhappy that her car hadn’t been repaired, and her premiums had increased substantially, Mrs D complained to AA.

AA upheld the complaint in part. It said it didn’t agree that it handled the claim unfairly, but it recognised that Mrs D hadn’t experienced the service as it hoped she would and so paid £75 in recognition of the distress and inconvenience it caused. As Mrs D remained unhappy, she referred her complaint to this Service.

Upon referral to this Service, AA explained that it didn’t think its original offer reflected the elements it upheld and so wanted to proactively settle the complaint by offering a further £75 – bringing the total compensation to £150.

Our Investigator agreed that AA’s revised offer was fair in recognition of the service experienced. However, they concluded that AA hadn’t acted unfairly in response to Mrs D’s claim.

Mrs D disagreed and so the case has been passed to me to make a 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.

While I recognise Mrs D will be disappointed with my decision, I’m satisfied AA’s revised offer is fair in the circumstances. So, I won’t be directing it to do anything more. I’ll explain why.

I know I’ve summarised the circumstances of this case in less detail than presented. But I want to assure both parties that I’ve carefully considered all the information provided. I may not respond to every point or piece of evidence. But I’ve focused on the issues I consider to be key to the outcome of the case. This isn’t meant as a discourtesy but reflects the informal nature of this Service – and the rules this Service are expected to adhere to enable me to do this.

The scope of my decision

Mrs D has raised concerns about her policy renewal and increased premium. While I understand the reasons why Mrs D feels AA is responsible for these concerns, they are actually the responsibility of the administrator of the policy who is a separate entity. As such, I won't comment or make a finding on these issues. My decision will only comment on the issues AA are responsible for – which in this case is the way the claim was handled.

Has the claim been handled fairly?

Relevant regulatory rules say firms must handle claims promptly, fairly, and mustn't unreasonably reject a claim. So, the starting point with any insurance claim is the policy terms as this sets out the basis of cover between the insurer and its policyholder. Under the terms of Mrs D's policy, AA will either repair, replace or pay a sum equivalent to the market value of a vehicle in the event of a valid claim. The terms also state AA has the right to take over the negotiation, defence or settlement of the claim. This may mean that it reaches a decision its policyholder doesn't agree with. But any decision should take into account all available evidence.

Upon notification of the claim, Mrs D said the utility company, who obstructed her property, had verbally admitted liability for the incident. However, AA said that based on the description of the events, it was unable to confirm the position of liability and so this would need to be investigated further. This meant the claim would initially be recorded as a "fault claim." But this could be amended if AA was able to recover its outlay from another party. I understand the utility company later disputed liability, which AA informed Mrs D of, and what this meant for her claim. But as Mrs D didn't want a "fault" claim recorded against her, she chose not to proceed with the claim – so it was closed as "notification only."

I think it would be helpful to explain that, while insurers typically refer to claims as "fault" or "non-fault", the actual terminology is "no claim bonus allowed" or "bonus disallowed". The term "fault" isn't to suggest that AA has found Mrs D to be at fault for the incident but reflects that it has been unable to recover the costs from another party, such as a third-party insurer.

It is common industry practice that claims are recorded as "fault" claims while the claim is open. This is because the insurer is investigating the claim and determining who is responsible for the losses associated with it. So, I'm satisfied AA acted reasonably when explaining the process to Mrs D at the outset of her claim. Because of this, I don't think AA acted unfairly in how it categorised the claim or the information it provided.

I recognise Mrs D is unhappy that her car remains unrepaired. Ultimately, this is due to her deciding not to proceed with the claim as she doesn't want a "fault" claim registered against her. I appreciate Mrs D's hesitation about continuing with the claim, but because she chose not to proceed, AA couldn't progress repairs. Mrs D is still within her rights to claim under her policy, but this will be recorded as a "fault claim" unless AA can recover its outlay from another party.

That said, I agree that there were instances where AA could have communicated with Mrs D in a more reasonable way, and I can understand the confusion caused by this. AA has agreed to pay Mrs D £150 in recognition of the service she experienced, and I don't find this to be unreasonable. This is consistent with our award bands where a firm's actions have caused some distress and inconvenience beyond what would typically be expected when raising an insurance claim. And while AA could've provided more clarity in its communication with Mrs D and kept her more regularly updated, I find these issues didn't materially impact on the core issue of Mrs D's complaint which is that her car hasn't been repaired.

And for the reasons I have explained above, I don't find that AA has acted unfairly or unreasonably with respect to Mrs D's claim. Should Mrs D wish to claim under her policy,

she is entitled to do so. But if she chooses to, she does so in the knowledge that the claim would be recorded as a “fault” claim unless AA is able to recover its outlay from another party.

My final decision

So, for the reasons I have explained above, I direct AA Underwriting Insurance Company Limited to pay Mrs D a further £75 – bringing the total compensation to £150 in total.

Under the rules of the Financial Ombudsman Service, I’m required to ask Mrs D to accept or reject my decision before 6 March 2026.

Oliver Collins
Ombudsman