

The complaint

Mr H complains that Automobile Association Insurance Services Limited (who I'll call AAIS) didn't adequately compensate him for the distress and inconvenience they caused.

What happened

The detailed background to this complaint is well known to both parties. So, I'll only provide a brief overview of some of the key events here.

On 12 June 2023, Mr H took receipt of a tuition vehicle he was to use as a self-employed driving instructor. He financed the deal through a hire agreement with AAIS.

On 26 March 2025, the car was involved in an accident. AAIS provided a replacement vehicle for three weeks, but Mr H discovered the courtesy vehicle wasn't taxed, which upset him as two driving tests had been conducted using it, requiring false declarations and he says he received calls from his pupil's parents and others questioning him about the lack of tax. He was worried this could affect his instructor licence renewal.

AAIS upheld his complaint and offered £300 in compensation and refunded £110.85 to cover the time he was without a tuition vehicle before he was given the untaxed courtesy car.

Unhappy with this, Mr H referred the complaint to our service. Our investigator didn't think the compensation was sufficient and suggested AAIS pay a further £200. As AAIS disagreed Mr H's complaint has been referred to me, an ombudsman, 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.

The detailed background to this complaint is well known to both parties. So, I'll only provide a brief overview of some of the key events here.

I agree with the investigator's view of this complaint and for broadly the same reasons.

Where the information I've got is incomplete, unclear, or contradictory, as some of it is here, I have to base my decision on the balance of probabilities.

I've read and considered the whole file, but I'll concentrate my comments on what I think is relevant. If I don't comment on any specific point, it's not because I've failed to take it on board and think about it but because I don't think I need to comment on it in order to reach what I think is the right outcome.

Mr H acquired his car under a regulated consumer credit agreement. This means our service is able to consider complaints about it.

When the car Mr H was renting was involved in an accident AAIS arranged a courtesy car to keep him mobile. While the courtesy car was provided by a third party, I think AAIS were nonetheless responsible for its provision and for ensuring it was taxed and roadworthy.

There's no dispute this car wasn't taxed and in those circumstances, I think AAIS should compensate Mr H for any distress, inconvenience or costs he incurred as a consequence of that failure.

There was a short delay before the courtesy car was provided, and I think AAIS were reasonable to refund £110.85 in that respect.

They've offered £300 in compensation, but I don't think that is sufficient to cover the distress and inconvenience caused. Mr H was given a courtesy car that broke down while he was conducting a lesson. He will have been shocked to discover the car was untaxed and I can understand the significant distress he will have experienced when discovering he had been conducting lessons in an untaxed car and that the car had been untaxed while students were using it for tests. He will have been understandably concerned for the reputation of his business as a result, and I can find no reason to doubt his account that he received calls from his pupil's parents and others as his testimony has been consistent throughout. The distress wasn't short lived as Mr H has explained he continued to be concerned about the potential to lose his livelihood. On balance, I don't think £300 is sufficient compensation and I'm asking AAIS to increase that to £500.

My final decision

For the reasons I've given above, I uphold this complaint and tell Automobile Association Insurance Services Limited to pay Mr H £500 to compensate him for the distress and inconvenience they have caused. They may deduct £300 if that has already been paid.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H to accept or reject my decision before 5 January 2026.

Phillip McMahon
Ombudsman