

The complaint

Mr L has complained that RAC Insurance Limited unfairly declined a claim on his European Breakdown Insurance policy.

Reference to RAC includes the agents which acted for it while Mr L was abroad.

What happened

Mr L was on a trip in Europe when his car developed a noise. He stopped at a local garage. A mechanic (the mechanic) there told Mr L to stop driving the car immediately as it wasn't safe to continue. Mr L then phoned RAC for help. It told him that because he was already at a garage, his policy didn't cover him. Mr L then had to arrange and pay for accommodation locally along with the costs of onward travel.

Mr L complained. RAC didn't uphold it so he brought his complaint to the Financial Ombudsman Service. One of our Investigators looked into it. He didn't think RAC had dealt with Mr L fairly. So he said, once Mr L had provided the appropriate evidence, it should cover his costs for onward travel and accommodation as set out in the policy's terms and conditions. The Investigator said RAC should add simple interest to the sums paid. He also said it should pay Mr L £100 compensation to recognise his distress and inconvenience.

RAC didn't agree with our Investigator's complaint assessment; so the matter's been passed to me to determine.

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 have some sympathy with Mr L's position. At the point that he pulled into the garage he couldn't have had any way of knowing whether his car was safe to drive or not. The mechanic told him it wasn't.

This is significant as Mr L's policy says that it will cover him in the event of a *breakdown*. It defines a breakdown as being:

*"An event that happens during the time you're covered **that stops the vehicle being driven [emphasis added]**. This must be because of a mechanical failure, like if your car won't start. Or an electrical failure, like loss of power. This also includes flat tyres and running out of fuel or charge..."*

The noise coming from the car hadn't stopped Mr L's car from being driven. He was still driving it. So, he hadn't broken down. At that stage, his situation clearly didn't match the policy term for a breakdown. He only became aware that the scale of the problem stopped the car being driven when the mechanic gave him that advice. Therefore, the 'breakdown' only happened once he was at the garage and not before.

Yet when Mr L rang RAC for help it told him that his policy didn't cover him. It said his policy includes the following term:

“You must request services directly from us. We’ll only provide cover if we’ve arranged or authorised your services. If your vehicle is already at a garage or another place of repair, you won’t be covered.”

So, under the strict terms of the policy, given that Mr L was already at a garage I can understand why RAC thought the policy didn't cover him.

RAC's explained to us that the rationale for the above term is to enable it to *“reserve the right to ascertain the fault, determine whether the vehicle can be safely driven, and establish the appropriate next steps”*. It said that this process ensures it can coordinate its service effectively and manage costs appropriately. While I entirely understand RAC's point here, for the reasons I'll now outline, I don't think it's fair to apply the term in Mr L's specific circumstances.

As I've said above, Mr L only identified that he'd actually broken down – and so needed the benefit of his policy – when he was already at the garage. And I can't see how the location of his car in any way prevented or prejudiced RAC from offering its service as if Mr L had broken down in a different location.

That's relevant here because Mr L had not instructed the garage to carry out any form of work on his car. So there was nothing preventing RAC from dealing with the breakdown call-out in its usual way. That is it could have sent out its recovery agent as it usually would. And that agent could then decide whether the car was safe to drive and what other steps might need to be taken in line with his policy terms. The fact that the mechanic had given Mr L his professional opinion did not interfere with that process.

In communication with us, RAC has speculated that, as the mechanic gave Mr L an opinion the garage must have done some form of assessment. It said that this could have led to an enhanced service and/or elevated cost to it. But, quite simply, it has no evidence to support that assumption.

Mr L has provided us with correspondence from the mechanic. That makes it clear that, at the point Mr L rang RAC, he had not committed to instruct or pay the garage for any work. Also the extent of the mechanic's 'assessment' appears to have amounted to listening to the noise the car was making and advising Mr L not to continue driving it. He did suggest a further test. But, at the point Mr L rang the RAC he had not committed to that action.

So it's not the case that the fact Mr L's car was already located at a garage meant that RAC had to pay or engage with that garage. If it wanted to disagree with the mechanic's assessment or recommend another action, it didn't have to involve the garage in that. So, as I've already said, the car's location at that time in no way prejudiced RAC's position.

RAC's argued that Mr L's costs for accommodation and onward travel arose directly from the mechanic's advice. However, It's worth noting that RAC didn't give Mr L any contradictory advice neither has it shown evidence that advice was inappropriate.

Had RAC responded to Mr L's call following its usual process it would have assessed the appropriate next steps and decided whether onward travel and accommodation was required. But it didn't do that. It simply told Mr L that he wasn't covered. So I don't think the fact that Mr L acted on the mechanic's opinion was unreasonable in the circumstances, given that the only advice RAC gave him was that he wasn't covered.

It follows that, as I've already said, in the specific circumstances Mr L found himself I don't think RAC acted fairly by strictly applying its policy term to decline his claim because his car was already located at a garage.

Putting things right

As I'm satisfied RAC unfairly declined Mr L's claim, it should take the steps to return him to the position he'd likely have been in had it not done so. In the circumstances Mr L found himself in his policy would otherwise have covered him for certain expenses including

onward travel and accommodation. So, I think it's fair for RAC to reimburse him those costs, subject to the remaining terms and limits of his policy and by Mr L providing the required evidence.

Further, as Mr L's without use of those funds, RAC must add simple interest to the amounts reimbursed at a rate of 8% a year, from the dates Mr L paid them until the date it makes payment to him¹.

Also, I'm aware that RAC's decision to refuse Mr L's claim meant that he had to make any further ongoing arrangements himself. And understandably the decision was a source of inconvenience and stress for Mr L. in those circumstances I think it's fair that RAC pays him £100 compensation.

My final decision

For the reasons given above I uphold this complaint. I require RAC Insurance Limited to take the steps set out under the heading 'putting things right'.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr L to accept or reject my decision before 3 March 2026.

Joe Scott
Ombudsman

¹ If RAC considers that it's required by HM Revenue & Customs to take off income tax from that interest, it should tell how Mr L much it's taken off. It should also give him a certificate showing this if he asks for one, so he can reclaim the tax from HM Revenue & Customs if appropriate.