

The complaint

Mr K complains about how Automobile Association Insurance Services Limited (“AAIS”) administered the cancellation of his motor insurance policy.

What happened

Mr K had a motor insurance policy arranged through AAIS which is a broker.

In late November 2023 his car was stolen. He contacted the insurer and made a claim. He had some problems with the claim, and complaints about these will need to be made to the insurer.

Mr K paid for his policy by monthly instalments under the terms of a finance agreement with AAIS.

As he no longer had his car, Mr K cancelled his monthly payment.

AAIS told Mr K he was in breach of his agreement with it. It asked him to pay two missing payments.

His claim was settled by the insurer in early 2024. The insurer allowed Mr K to insure a replacement car under the policy within 30 days.

Mr K said he was going to use a work vehicle instead and he cancelled the policy by calling AAIS on 9 January.

He complained to AAIS to say he wasn't happy to keep paying his instalments when he no longer had a car. AAIS told him he still needed to pay the balance under the terms of his agreement with it.

Mr K remained unhappy and brought his complaint to this service. Our investigator looked into it and thought it wouldn't be upheld. She thought it was clear what would happen about the requirement to keep paying when there'd been a claim.

Mr K didn't accept the view. He said he wasn't told about what would happen.

Because Mr K didn't agree, his 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.

Having done so, I'm not upholding Mr K's complaint and I'll explain why as I appreciate this will be a disappointment to him.

Under the terms of his finance agreement with AAIS, it says on the first page:

“Managing your monthly payments

Please make sure you don't cancel your Direct Debit or miss a monthly payment. If you do, you'll be charged a £12 administration fee and your credit file may be affected.”

I can also see the following wording:

“...if you wish to cancel you can do so:

- Beyond the 14 day cooling off period. there may be an outstanding balance to pay for the period of cover used. The balance due will include our arrangement fee of £28 plus a £30 cancellation fee. If you have made a claim. there will be no refund available and the full annual premium will be required.*
- It's important you don't cancel your direct debit instruction until you've made all the payments you need to.”*

Although Mr K's complaint is about the actions of AAIS, I can also see his car insurance policy refers similarly:

“No refund of premium will be allowed if a claim has or is being made against this policy prior to such cancellation during the current period of insurance.”

I can see from his evidence that Mr K thinks the normal course of action would be that when a vehicle is subject to a total loss like his, the policy simply needs to stop and he ceases payments.

But I'm afraid his understanding isn't correct. His policy was an annual policy and subject to a finance agreement requiring him to pay. I think it's clear from the above wording, and others in his agreement with AAIS, that he needed to pay all of the instalments.

He's said he doesn't understand why the insurer didn't refund a portion of his claim payment to AAIS to settle the terms of his agreement with AAIS. But I'd also say that, from the information I have, Mr K's claim was settled for the total loss of his car, so any monies he were paid can now be paid to AAIS to settle his account with it.

Under the terms of his policy, the insurer would give Mr K time to find a replacement car so that he could “use” the remaining portion of his cover. AAIS wrote to Mr K about this and told him on the phone.

I can see Mr K chose to not do this, and cancelled his policy instead. In the call where he does this, he talks about the requirement to pay the remaining instalments as being unfair and that he understands legal action against him may be the result.

Unfortunately for him, this means he'd given up his remaining rights to be covered under his policy, and I can't fairly say that's AAIS's fault.

It seems to me that the terms of his agreement with AAIS were clearly shown on his documents. Then, when he contacted AAIS it explained to him what would happen but Mr K chose to follow his own path due to his erroneous understanding. Again, I think AAIS reasonably explained what would happen to him.

It follows that I think AAIS has acted fairly and in line with its agreement with Mr K, and I'm not upholding this complaint.

My final decision

For the reasons set out above, my final decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr K to accept or reject my decision before 23 October 2024.

Richard Sowden
Ombudsman