

The complaint

Mr I complains that RAC Financial Services Ltd (“RAC”) automatically renewed his rescue & recovery policy.

What happened

Mr I had a rescue & recovery insurance policy through RAC. He’d had cover with RAC for about seven years, renewing each summer.

In May 2024, RAC wrote to him telling him his policy was due for renewal and it would automatically do so. Mr I says he didn’t receive this letter.

His policy renewed, he was notified afterwards by SMS, and full payment for the year of £108.98 was taken.

Mr I noticed that this had happened and he contacted RAC to cancel his policy and complain. He wanted to be told that his policy was due for renewal so he could contact RAC and perhaps negotiate with it.

RAC said it would cancel his policy and give Mr I a refund, less its arrangement fee of £25. Or it would offer him two months extra at the end of his policy.

Mr I remained unhappy and brought his complaint to this service. He says the renewal of his policy meant he’d suffered financial stress. He wants RAC to waive the £25 arrangement fee. Our investigator looked into his complaint and thought it wouldn’t be upheld. He said he thought Mr I should have been aware after so many renewals had passed that it was time for renewal. He thought RAC had reasonably sent him the renewal terms by post and it didn’t need to refund the setup fee.

Mr I didn’t accept the view. He later asked that RAC refund him half of the £25 fee. Because he 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.

I’m not upholding Mr I’s complaint and I’ll explain why.

RAC has sent this service copies of the documents it sent to Mr I in May 2024 offering him renewal. Mr I has asked whether these documents were sent by a recorded postal method, which they weren’t. This is in line with the rest of the marketplace and I don’t think it’s unfair.

But I do think it’s fair I say that RAC did issue Mr I a renewal document. Mr I has insisted he didn’t receive it, but I can’t fairly say that was the fault of RAC. It was contacting him in line with his preferences as set up in 2017. Using other methods, such as email, was an option for him, but he’d not asked RAC to do this.

His policy had renewed in the same way for a number of years, so I don't think I can say RAC acted unfairly in how it renewed his policy in 2024. I can also see that the renewal document (certainly the 23 and 24 renewals) started off by saying the policy would automatically renew.

When Mr I contacted RAC to complain about it, I can see it explained it would retain the £25 arrangement fee. This service takes the view that an arrangement would generally be fair as long as there's no element of profit making involved. In other words, the fee is there because RAC incurred some costs in renewing Mr I's policy. I think the charge it's made is fair and reasonable.

Mr I has said he suffered financial stress from this automatic renewal, but I can't see evidence of that in the file. It's my understanding that RAC has now refunded the remainder of the premium, less the £25 fee. So I think it's fair I say that Mr I's financial stress should have been reduced significantly.

In his responses to the view, Mr I has also talked about several ways in which he feels RAC could have improved its service to him. It's not the role of this service to tell a company how to run its processes, but I feel it's fair I point out to Mr I that his suggestions would likely increase RAC's costs substantially, which would probably have a knock-on effect on the premiums it charges.

I think RAC has acted fairly in how it's dealt with Mr I's renewal, and I'm not upholding his 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 I to accept or reject my decision before 13 December 2024.

Richard Sowden
Ombudsman