



# Financial Rights

LEGAL CENTRE

FACT SHEET



CALL THE  
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## RENTAL CARS AND INSURANCE

This fact sheet is for information only. It is recommended that you get legal advice about your situation.

### CASE STUDY

Justin travelled to Adelaide for a week's holiday. He hired a car from BIG RENTAL CAR COMPANY. When he signed the contract with the hire car company asked if he wanted to pay for insurance. Justin said he did and paid extra for the insurance. Justin's hire car was damaged in a car accident that was his fault. The other driver's insurance company sent Justin a letter of demand for \$3000 to pay for the damage to their insured's car.

Justin tried to make a claim on his insurance with BIG RENTAL CAR COMPANY only to be told that his contract only covered him for some damage to the rental car and He was not covered at all for the damage to the other car.

**WARNING:** Rental car companies do not provide insurance. It is in fact a liability limitation product. It provides very poor coverage if you damage the rental car. If you are at fault in a car accident you usually have no cover for the damage to the other car!

### WHAT PROTECTIONS ARE AVAILABLE TO CONSUMERS UNDER RENTAL CAR AGREEMENTS FOR DAMAGE TO THE RENTAL CAR AND OTHER VEHICLES IN THE EVENT OF AN ACCIDENT?

Any liability coverage will be set out in the terms and conditions of the rental agreement. Terms and conditions will differ from company to company. Generally, rental agreements can be complicated, unclear and difficult to understand so it is important that you read them carefully before hiring a car.

You should be aware that rental agreements **may not** cover you for the damage to the rental car and/or to the vehicles of third parties in the event of a car accident.

While some rental car companies do offer limited protection to drivers in the event of an accident, these types of contracts can be difficult to decipher and it may be difficult to ascertain what you are, and are not covered for.

Rental agreements often contain numerous exclusions, for example, it is common for rental car contracts not to cover tyres, windscreens, the roof, the interior and the undercarriage even where insurance cover has been provided.

If you have travel insurance, you should read the Product Disclosure

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Statement carefully to check whether or not your travel insurance will cover you for damage to rental vehicle or to third parties in the event of an accident. Sometimes your travel insurance will as an optional extra cover up to a prescribed limit the contracted rental vehicle excess.

**IMPORTANT:** Before you take possession of the rental and driving it from the collection point you should thoroughly inspect it and ensure any pre-existing damage is noted on the contract. If you are picking the car up and do not have an opportunity, take photos of any damage.

## WHAT DO I DO IF THE RENTAL VEHICLE GETS DAMAGED?

1. Take photos of the damage to the rental car and any other car involved in the accident.
2. Write down what happened.
3. Exchange details with all other drivers.
4. Notify the rental company. You must notify them even if you think the damage is not significant.

**REMEMBER:** The rental company will deduct the cost of the damage or excess from your credit card immediately. If you cannot afford this cost you should cancel any authorisation to debit your credit card with both the rental company and the financial institution that issued your credit card immediately. You will still be liable for any costs/damage and you should urgently get legal advice and make a repayment arrangement to pay those costs if you owe them.

## WHAT IF I HAVE CAUSED DAMAGE TO ANOTHER CAR WHEN USING A RENTAL CAR?

This liability is usually not covered and you will be liable for the damage caused to the other car or property if you were at fault.

## WHAT CAN I DO IF I HAVE A DISPUTE WITH A RENTAL CAR COMPANY ABOUT INSURANCE PROVIDED UNDER A RENTAL AGREEMENT?

Rental car companies are not insurance companies and are not subject to the same laws. As a result the Financial Ombudsman Service (FOS) will not be able to assist consumers who have a dispute with a rental car company about insurance provided under a rental agreement.

The Insurance Law Service is not able to provide legal advice on these issues. If you have a dispute with a rental car company about any aspect of their conduct relating to a rental agreement, you should speak to the relevant consumer protection agency in your state or territory.

You may be entitled to take your complaint to your local state or territory small claims tribunal. Costs and procedure may differ depending on the jurisdiction so it would be a good idea to seek legal advice before taking legal action in relation to a dispute.

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