

Rental Cars and Insurance

This fact sheet is for information only. You should get legal advice about your personal situation.

Main ideas

- Rental car companies do not provide insurance.
- You may be liable for damage if you have an accident, even if you pay extra on your rental agreement.
- Read the Rental Car Agreement carefully. Agreements differ between companies.
- Work through the checklist provided every time you rent a car.

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Rental car companies do not provide insurance

Rental car companies often provide a liability limitation product, not insurance as you would normally have on your own car. It provides very limited cover if you damage the rental car and often has significant exclusions (for example, you may not be covered for overhead or underbody damage even if not your fault, or if you breach the rental agreement by driving on an unsealed road). If you are at fault in an accident, you usually have no cover for the damage to the other car or other people's property.

If you are renting a car because your usual car is being serviced or repaired, your comprehensive car insurance may cover the use of a substitute hire car. Check your product disclosure statement (PDS) carefully – there may be conditions on cover. You may not need to pay the additional cost of an excess reduction when renting a car.

If you are renting the car while on holiday, check your travel insurance, including any travel insurance attached to your credit card. You may have cover for the 'rental car excess'. What is covered, and how it operates will be defined in your travel insurance PDS. It is generally very limited cover, it may only protect you from the excess amount, but may not extend what events or situations you have cover for.

Understand your rental car agreement

The Australian Consumer Law applies to rental car agreements, including consumer protections such as unfair contract terms, and misleading and deceptive conduct.

The rental car agreement is not an insurance contract.

The terms and conditions explain your responsibilities as a renter, the cost of renting, who can drive the vehicle, and what happens if there is a collision or breakdown. It will explain who is responsible for paying for damage if there is an accident: when you will pay for the damage to the rental car or a third party, and whether you are covered for any liability.

Rental car agreements can be complicated, unclear and difficult to understand. But read the agreement carefully before taking the car, and ask the rental company if you have any questions.

Terms and conditions differ from company to company – they are all different and may not cover what you expect. They often use different terms, such as excess, loss waiver, damage liability, third party loss, liability coverage, damage protection.

Usually the agreement will state you will not be covered for certain types of damage to the rental car, or you have to pay extra to be covered.

Common exclusions include:

- damage to tyres, windscreens, the roof, the undercarriage

- damage caused by hitting animals at dawn or dusk
- damage while travelling on unsealed roads
- damage arising out of negligence.

Check the agreement meets your needs

The rental car and the agreement must suit you. For example, if you intend to drive across Australia, a contract that excludes damage caused on unsealed roads, or from hitting wildlife may not suit your needs. Be aware of the risks you are taking on by driving the rental car.

Inspect the rental car before you take it

Record any existing damage to the car on the rental contract. Take photos of any damage.

What to do if you have an accident involving a rental car

If you have an accident, follow the steps in the rental car agreement. If you don't follow the steps, the rental company may charge you a fee and claim you are liable for the damage.

Generally:

- Take photos of the damage to the rental car and any other car involved in the accident.
- Write down what happened.
- Exchange details with all other drivers. Get details of their insurer if they are insured.
- Tell the rental company, even if you think the damage is not significant.

In most Rental Car Agreements, the company will deduct the cost of the damage or excess from your credit card immediately. If you cannot afford this, cancel the authority to debit your credit card with both your bank and the rental car company immediately. You will still be liable for the damage, but this will give you time to get legal advice and make a repayment arrangement to pay the costs.

If you have damaged another car or property in a car you have rented

Whether or not you have to pay depends on the rental car agreement. Some or all liability may or may not be covered.

If the rental car company does not cover your liability, then you will be personally liable. You will have to deal with the third party yourself. [Read our fact sheet about having a Car Accident when Uninsured](#). Also [read through our Motor Vehicle Accident Problem Solver](#).

Disputes with rental car companies

If you damaged someone else's rental car in an accident and the rental company is

chasing you for the cost of damage, [read our fact sheet about having a Car Accident when Uninsured](#) – but some of the information will not apply to you as the rental company is not an insurer.

You may want to dispute repair costs and whether you are at fault. We cannot give advice about liability or fault in motor vehicle accidents.

[Visit our Useful Links page for details of legal services that may be able to help.](#)

If you hired the rental car and you believe the repair charges quoted by the rental company are too high, you should ask for photos of the damage and itemised invoices. You could get an estimate of the cost of damage from your own mechanic. Negotiate with the rental car company for a payment amount you think is reasonable.

Car rental code of practice

Most major rental car companies are members of the [Australian Financial Industry Association \(check if your rental car company is a member\)](#). Members comply with the [Car Rental Code of Practice](#).

The Code of Practice covers minimum standards for:

- unfair contract terms
- damage waiver or coverage products
- start of rental inspection procedures
- post-rental vehicle damage
- credit card charging practices
- pricing practices.

Members must have an internal complaints process you can use. They should respond within 15 business days. If your complaint isn't resolved, you can [take the complaint to external dispute resolution, the Australian Car Rental Conciliation Service](#).

Car Rental Conciliation Service

Rental car companies are not required to be in an external dispute resolution scheme, but many have voluntarily signed up to the [Australian Car Rental Conciliation Service](#).

[The conciliation service provides a way for customers to complain about areas covered by the code](#). The service is free and aims to make a recommendation within 30 days of receiving a complaint. [Contact the dispute resolution service through their website](#) or call 1800 366 840.

The service may be limited in what it can resolve:

- It is not clear if the decision of the independent reviewer (the conciliation service) is

final.

- They can investigate whether a charge was correctly raised, but not the amount of the charge.
- They cannot investigate if court action has started.
- They cannot award compensation payments.

If the conciliation service is unable to assist you, you may be able to take your complaint to your local state or territory small claims tribunal. **Get legal advice first. Time limits apply.**

Rental car checklist

1. **Make sure you understand the terms and conditions and they meet your needs.**
For example, if you intend to drive off-road, will you be liable for any damage?
2. **[Check the rental car company is a member of the Australian Finance Industry Association](#)**
3. **Can you pay the excess** if you have an accident? Do you need any of the extras offered in the agreement?
4. **Do you have any other insurance that could cover you?** For example:
 - If you are on holiday, your travel insurance may pay for your liability (or excess contribution) under the rental car agreement.
 - If you are renting a car while yours is off the road, your comprehensive car insurance may cover a 'substitute vehicle'
 - If you have been provided with a car by a third party and not directly with the rental car company, do you have an agreement with them? If so, you read the terms and conditions.
5. **When you pick up the car:**
 - thoroughly inspect the vehicle
 - take pictures of the vehicle and any existing damage
 - tell the sales staff of any existing damage and have it written on the contract.
6. **When you return the car:**
 - thoroughly inspect the vehicle
 - take pictures of the vehicle
 - tell the staff if there is any damage and note their response.

Need more help?

[For a list of other resources, visit our Useful Links page.](#)

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