

The complaint

Mr Y is unhappy with how First Central Insurance Management Limited (First Central) handled things when he wanted to cancel his motor insurance policy.

What happened

Mr Y took out motor insurance through First Central. He then sold his car and says he called First Central to cancel the policy. However Mr Y says First Central didn't cancel the policy right away and took the first payment and then charged him a cancellation fee. Mr Y says this was wrong as he cancelled before the policy renewed. First Central pursued him for the debt and debt collectors became involved. Mr Y set up a repayment plan with the debt collectors which he thought was in relation to this debt, but turned out to be in connection with another matter. Mr Y says there was a missed payment recorded on his credit file as he thought he was paying First Central when in fact he wasn't. This affected his ability to get credit elsewhere.

About two years after the policy was cancelled, Mr Y contacted First Central about this. First Central explained the correct process was followed but offered to remove the £50 cancellation fee from the outstanding balance, leaving £23.77 to pay. First Central at first told Mr Y the default marker would be removed from his credit file once this was paid, but then told him this wasn't possible.

Mr Y complained to First Central. First Central said it believed it had followed the correct process, as the balance had been outstanding for two years. First Central said the balance had now been settled, and the default had been marked as "satisfied".

However, having listened to the calls that Mr Y had made, First Central agreed that it had made some mistakes. It failed to call him back on one occasion, and also misadvised him, leading him to believe that once the payment was made, all record of the default would be removed. First Central said that when a balance is settled, it updates the credit file to that effect, to show that nothing is outstanding anymore. However, it cannot remove all record that there was once money owed. First Central said feedback would be given with regards to this, and any necessary training arranged to prevent customers from being misadvised in the future. First Central said that due to the poor service, it would reimburse £75 back to Mr Y as compensation.

Mr Y wasn't happy with First Central's response and so he complained to this service. Our investigator didn't uphold his complaint. She said although First Central had made a mistake in what it told Mr Y about removing the default, it had apologised to Mr Y and offered him £75. The investigator felt this was fair and reasonable and in line with what this service would suggest.

Mr Y wasn't happy with this and so his complaint has been passed to me. Mr Y says he has spent time and effort sorting this matter out and it has had an impact on him financially. He wants the mention of the missed payment removed from his credit file.

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 don't uphold Mr Y's complaint. I'll explain why.

From the documents First Central have provided, I can see that Mr Y did in fact have the benefit of about 10 weeks insurance on his policy. When Mr Y renewed the policy, he paid a deposit and set up a monthly payment plan. First Central says that Mr Y called to cancel the policy about eight weeks after it started but hung up before the cancellation was complete. He then called back about a week later and said he'd sold the car. This was the same day as the first payment was due on his credit agreement.

First Central told Mr Y he had seven days to change the vehicle on the policy or it would be cancelled. Mr Y didn't change the vehicle, so the policy was cancelled. First Central calculated that Mr Y owed it £23.77 for the cover he'd had that hadn't already been paid for plus a £50 cancellation fee, a total of £73.77. Mr Y didn't pay the outstanding balance and it was referred to First Central's collections team who made several attempts to contact Mr Y to clear this balance. The debt was then passed to a debt collection agency.

Mr Y's credit agreement with First Central says:

"MISSING PAYMENTS

...We may also take legal action or use a debt collection agency to recover any Outstanding Balance. Missing payments may make it more difficult for you to obtain credit in the future."

First Central says its Policy Wording document also has a link to its Privacy Notice, which states the following:

"Credit reference agencies

...If you're paying by Direct Debit, we may give details of your accounts and how you manage them to credit reference agencies, including records of outstanding debt. This information may be supplied to other organisations to perform similar checks and to trace your whereabouts and recover debts that you owe. Records remain on file for 6 years after they're closed, whether settled by you or defaulted. For more information on how credit reference agencies handle your information click here."

Overall, I think First Central has acted fairly and reasonably and in accordance with the terms of Mr Y's credit agreement. Mr Y had the benefit of a period of insurance for his vehicle and it is reasonable that he should have been asked to pay for it. It's unfortunate that Mr Y thought he'd set up an agreement with the debt collection agency to pay First Central when actually he hadn't. But I don't think First Central can be held responsible for this. I think it was reasonable of First Central to mark Mr Y's credit file with the default payment. This was factually correct and I'm not going to ask First Central to change it.

First Central has acknowledged that it made some mistakes in its dealings with Mr Y, and it has waived the £50 cancellation fee and paid him £75. I think this is a fair and reasonable way to settle Mr Y's complaint and compensate him for his time and inconvenience. First Central has confirmed that it has marked the outstanding amount on Mr Y's credit file as "satisfied", which is reasonable in the circumstances.

My final decision

For the reasons given above, I don't uphold Mr Y's complaint. So I won't be asking First Central Insurance Management Limited to do anything.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr Y to accept or reject my decision before 20 May 2022.

Sarah Baalham
Ombudsman