

The complaint

Miss Z complains that First Central Underwriting Limited (“First Central”) is responsible for mishandling a claim on her motor insurance policy.

What happened

The subject matter of the claim and the complaint is a sports coupe car, first registered in 2011.

For the year from late March 2023, Miss Z had the car insured on a comprehensive policy with First Central.

Unfortunately, Miss Z reported that in mid-June 2023, the car had been damaged in an accident involving two other vehicles. First Central said that it would only provide a courtesy car if one of its repairers was repairing the insured car.

A few days later, one of the third parties told First Central that Miss Z had left the scene of the accident. First Central had concerns that Miss Z may have been driving under the influence of alcohol. On about 6 July 2023, First Central expressed that concern to Miss Z. It said it would wait to hear from police.

By mid-July 2023, Miss Z had complained to First Central about delay in dealing with her claim.

By a final response dated 7 September 2024, First Central said that the car was beyond repair. First Central said that it had provided a poor customer journey, so it was sending Miss Z a cheque for £100.00 in compensation.

Miss Z brought her complaint to us in mid-January 2024.

On 5 February 2024, First Central accepted the claim, valued Miss Z’s car at £9,000.00 and arranged payment to Miss Z.

In late March 2024, our investigator said that First Central had offered a further £250.00 for distress and inconvenience, which the investigator thought was fair.

Miss Z provided further information. This included the information that she’d taken out a loan to buy a replacement car in November 2023.

Our investigator said that First Central had asked for a collision report on 24 October 2023 but hadn’t raised payment for the report. First Central had made a revised offer to:

1. pay 8% interest on the settlement of her vehicle, from 24 October 2023 to 5 February 2024; and
2. cover Miss Z’s loan interest payments from November 2023 to 5 February 2024, on the provision of evidence of these amounts; and

3. pay £350.00 total for the distress and inconvenience caused to Miss Z.

Our investigator recommended that the revised offer was fair.

Miss Z disagreed with the investigator's opinion in part. She asked for an ombudsman to review the complaint. She says, in summary, that:

- She is upset that the insurer could take the third party's word for what happened and then place the claim on hold which subsequently had a huge impact on everyday life for her.
- The police report wasn't required.
- There were avoidable delays of 8 months in total.
- She had to pay premiums for months without the car.
- She had to use other forms of transport to get around.
- First Central delayed her refund of road tax.
- The 8% interest on the valuation should go back to July 2023.

In late May 2024, First Central told us that it had paid the 8% interest (£163.67 net of income tax) and the £250.00 further compensation.

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.

Like most motor policies, First Central's had an exclusion relating to drink or drugs. First Central's term was as follows:

*“10.15 Drink and Drugs, Mobile Phone
If, following an accident, you or anyone named in the Certificate of Motor Insurance is convicted of driving whilst unfit through drink or drugs or has a breath, blood or urine alcohol content over the legal limit or refuses (without lawful excuse) to provide a breath, blood or urine sample when asked to do so, or is convicted of using a mobile phone whilst driving, then the insurer will not provide any cover under this policy.”*

The accident and the damage were, in my view, bound to cause Miss Z upset and inconvenience. And it was bound to take some time for First Central to assess the claim.

First Central didn't have to provide a courtesy car. So Miss Z was going to have to use alternative means of transport until she could get another car.

Also, as Miss Z was making a claim, the policy terms required her to pay the whole of the premium for the year ending late March 2024, without any refund for the time after the accident. If she had got a replacement vehicle and put it on the policy within a month or so, then Miss Z would've had some benefit from the premium for the time after the accident.

Miss Z could've done a Statutory Off Road Notification and got a refund of road tax immediately after the accident. I'm not persuaded that First Central caused any delay in getting a refund.

The circumstances of the accident and the information from the third party caused First Central to consider the possibility that Miss Z had been driving under the influence of alcohol. So I don't consider that First Central treated Miss Z unfairly by saying that it would wait to hear from police. I can't say that a police report was unnecessary.

Such reports typically take weeks or months. So I don't accept that First Central should've settled the claim in July 2023 or that interest should run from that time.

First Central mishandled its request for a police report. Also, First Central didn't communicate with Miss Z as well as it should've.

From what she has said, Miss Z borrowed money to get a replacement car in November 2023.

By early February 2024, First Central had decided to meet Miss Z's claim without waiting for a police report. However, I don't share Miss Z's view that this shows that a police report was never necessary.

Putting things right

I've thought about what's fair to direct First Central to do to try to put things right.

I can't say that it should've settled the claim by 24 October 2023. However, First Central offered to pay interest on the settlement from that date until the date of settlement of 5 February 2024. That's a longer period than I would otherwise have found fair, given that First Central could've waited longer for the police report.

First Central also offered to pay the interest on Miss Z's loan from November 2023 to 5 February 2024, on the provision of evidence of these amounts. That's also a longer period than I would otherwise have found fair given that First Central could've waited longer for the police report.

Also I consider that there is an element of duplication of interest on the settlement money on the one hand and on the money Miss Z had to borrow pending receipt of the settlement money on the other hand.

Nevertheless, I find it fair hold First Central to its offers as regards interest.

I've thought about the extra distress and inconvenience that First Central's mishandling caused Miss Z in an already difficult situation. That included a real (but in my view mistaken) belief that First Central had caused all the inconvenience from the time of the accident, through the acquisition of the replacement car and up to the settlement in early February 2024.

Also, the extra distress and inconvenience included spending time contacting First Central to try to get progress and updates.

I conclude that the total of £350.00 was fair for such extra distress and inconvenience.

My final decision

For the reasons I've explained, my final decision is that I uphold this complaint in part. I direct First Central Underwriting Limited to pay Miss Z (insofar as it hasn't already paid her):

1. simple interest at a yearly rate of 8% from 24 October 2023 on the amount it paid her on about 5 February 2024 to that date. If First Central considers that HM Revenue & Customs requires it to take off income tax from that interest, it should tell Miss Z how much it's taken off. It should also give her a certificate showing this if she asks for one, so she can reclaim the tax from HM Revenue & Customs if appropriate; and
2. the amount Miss Z paid in interest for the period from November 2023 to 5 February 2024 on the loan to acquire the replacement car, on the provision of evidence of such payment; and
3. £350.00 for distress and inconvenience.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss Z to accept or reject my decision before 29 August 2024.

Christopher Gilbert

Ombudsman