

The complaint

Mr C complains that First Central Insurance Management Limited didn't change his motor insurance policy in order to cover his new car, as requested, leaving it uninsured.

What happened

Mr C called First Central in November 2023 to ask for the policy that had started in October 2023 to be transferred to the car he'd just bought. The advisor he spoke to said there'd be an extra charge of £225 (including an admin fee) to cover the increase in premium for the new car. Mr C had been paying for the policy in instalments, but he asked if he could now pay for it in full. The advisor said it would cost £856.25. Mr C paid that sum, and he thought he'd paid to insure the new car until October 2024.

On 19 March 2024 the police stopped Mr C for driving without insurance. It then emerged that the £856.25 he'd paid was to settle the sum owed on the original policy for his old car, and the new one was never insured. Initially, First Central said the advisor hadn't made a mistake, but later, it accepted that the situation was poorly explained to Mr C. It put the new car on cover the day after Mr C told it he'd been stopped by the police, and it offered him £175 compensation. After Mr C asked us to investigate his complaint, First Central offered to increase the compensation to £200. It also offered to reimburse the cost of the temporary insurance cover Mr C had been forced to buy, but not to refund any of the premium.

One of our Investigators reviewed Mr C's complaint. He told Mr C he didn't think he'd lost out financially, as he'd always have needed to pay for insurance cover. He said if Mr C had made a claim during the period in which the car wasn't insured, First Central would have covered it, given that it was clear the lack of cover was its fault. The Investigator thought First Central should raise the compensation for distress and inconvenience to £250 and add interest to the sum to be paid by it to reimburse the cost of Mr C's temporary cover.

First Central agreed to the Investigator's proposals, but Mr C said he'd paid over £1,000 for the policy and didn't get the benefit of it for six months, so he'd accept a £500 refund. The Investigator said again that during the period without cover any claim made was likely to have been covered. He also said when he police had called First Central they were told Mr C had tried to arrange cover - which meant they didn't take any action against him.

As there was no agreement, the complaint was passed to me for review.

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.

Mr C's old car was covered until November 2023 and the new car was insured from March 2024. So the period without cover on the new car was under four months.

I can see why Mr C thinks he should be reimbursed the premium for that period. But I agree with the Investigator that he hasn't lost out financially. He was always required to pay for cover for the year, and he thought he'd done so. He didn't make a claim during the period in question, but had he needed to do so, I think it's very likely that First Central would have covered it. That's because it would have been clear that the lack of cover was its fault. In the unlikely event that First Central *hadn't* agreed that was the case, Mr C could always have complained to it - and then to us if necessary. A complaint of that type is very likely to have been upheld by this service, as it wouldn't have been reasonable for First Central not to accept responsibility for the situation.

I think it's significant that after the police spoke to First Central they didn't seize the car and prosecute Mr C, as that's usually what happens if a car isn't insured. So the police must have been satisfied from the information they got from First Central that Mr C wasn't at fault. In cases where consumers are prosecuted as a result of a business's error (which isn't unusual) the compensation we require the business to provide is much higher than the sum proposed in this case. But I think First Central has acted appropriately in improving its initial offer to Mr C by agreeing to the Investigator's proposals.

In my opinion, £250 compensation for distress and inconvenience, plus the reimbursement of Mr C's temporary insurance cover (with interest) is a fair and reasonable way to resolve this complaint.

My final decision

My final decision is that I uphold this complaint. I require First Central Insurance Management Limited to do the following:

- Pay Mr C £250 for distress and inconvenience.
- Refund the cost of Mr C's temporary insurance cover, and add interest to the sum paid, at the simple yearly rate of 8%, from the date Mr C paid for the cover until the date the sum is reimbursed to him.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C to accept or reject my decision before 28 November 2024.

Susan Ewins

Ombudsman