

The complaint

Mr M and Ms R complain that First Central Insurance Management Limited (1st Central) took two payments in one month for their motor insurance which they say caused financial hardship.

What happened

Ms R took out a motor insurance policy in January 2024 with 1st Central. Ms R also entered into a credit agreement with 1st Central in January 2024 for the motor insurance policy annual premium to be paid by 11 monthly repayments. The monthly repayments were to be taken from Mr M's bank account.

As the policy commenced in January 2024, 1st Central say a payment should've been scheduled for February 2024. 1st Central say due to a system error, the first payment was instead incorrectly scheduled for March 2024. To correct the error in the way the credit agreement was set up, 1st Central took two payments within one month.

Mr M and Ms R complained to 1st Central explaining they had been caused financial hardship because they weren't expecting the payment to be taken and were required to discuss the matter with 1st Central on multiple occasions. 1st Central upheld the complaint and offered the sum of £150 for compensation for the inconvenience experienced.

Dissatisfied, Mr M and Ms R made a complaint to this Service.

Our Investigator said the offer of compensation of £150 was fair and reasonable and therefore didn't require 1st Central to do anything further.

Mr M and Ms R disagreed with our Investigator, so the complaint has been passed to me to decide.

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.

1st Central say due to a system error the credit agreement Ms R entered into was set up incorrectly. Whilst the first monthly repayment was taken in March 2024 as per the credit agreement Ms R had received, 1st Central say this was incorrect. 1st Central say the first repayment should've been scheduled to have been taken in February 2024.

1st Central's records show that to correct the error in the way the credit agreement was set up, it took an additional payment in March 2024. However, in April 2024 it appears this was recalled via Mr M's bank. Following communications with 1st Central by Mr M and Ms R, Mr M subsequently paid 1st Central the second repayment by way of a debit card in April 2024.

From what I've seen, it doesn't appear that 1st Central contacted Mr M and Ms R before taking the additional repayment in March 2024, to explain the system error and confirm that two repayments would be taken in one month. As a result of the two repayments being taken within the same month, Mr M and Ms R say this caused financial hardship. I can see from the available evidence both Mr M and Ms R were students and Mr M has said he had to borrow money from family. They say they were also required to contact 1st Central on multiple occasions to discuss the matter.

1st Central has acknowledged its error. Having considered the available evidence, I understand the instalments have been manually adjusted and the monthly repayment date has been changed. To try and put things right 1st Central say it has raised a payment for compensation of £150 relating to the service Mr M and Ms R received and the inconvenience caused.

Taking everything into account, I believe 1st Central should've notified Mr M and Ms R once it became aware of the system error that it was intending to take two instalments in one month to correct the error in the way the credit agreement was set up. This would've allowed Mr M and Ms R the opportunity to check their finances and return to 1st Central explaining that taking two repayments in one month would cause financial hardship.

That said, whilst two repayments being taken within one month may feel to Mr M and Ms R that they were paying an additional amount, the payment was required to be paid and they were not "out of pocket". The issue is that two repayments were taken in one month. I note from 1st Central's records that after the additional repayment in March 2024 was recalled via Mr M's bank, that Mr M does appear to have been given the option of spreading the payment of the additional sum. But he opted instead to pay it all in one go. As referenced above, 1st Central says it has since manually adjusted the instalments and the instalment date. I therefore think the additional steps taken by 1st Central to be reasonable.

I'm therefore satisfied the compensation paid by 1st Central in the sum of £150 to be fair and reasonable and in line with what I would've awarded. Mr M and Ms R will understandably be disappointed, but I don't require 1st Central to do anything further.

My final decision

For the reasons set out above, I find First Central Insurance Management Limited has done enough to resolve this complaint and doesn't need to do anything else.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M and Ms R to accept or reject my decision before 1 April 2025.

Lorna Ball
Ombudsman