

## **The complaint**

Mrs A has complained about the way First Central Underwriting Limited dealt with a claim made against her car insurance policy.

## **What happened**

In May 2022 First Central received a claim from a third party insurer (TPI) against Mrs A's car insurance policy. The TPI claimed that Mrs A had hit their insured's car while parked in March 2022.

Mrs A denied involvement and First Central defended the claim. The TPI brought the matter to court, where in April 2024 the case was dismissed as there was no evidence the incident took place.

Mrs A brought previous complaints to this service in 2023. An Investigator recommended First Central pay £150 compensation in addition to £150 it had already paid for some delays and poor service in handling the claim up to that point.

In 2024 Mrs A complained to First Central. She was very unhappy that the claim was recorded on a central database. She said it had impacted on her premiums, and had impacted on a premium for a policy she held for another car. Mrs A complained that First Central had recorded claim costs as it had paid some of the third party legal costs in error.

First Central upheld Mrs A's complaint. It provided a refund for the difference in premium she had paid due to the claim recording, with interest at 8% per annum in line with our preferred rate.

First Central removed the claim (and so any claim costs too) from an external database. It has provided us with a screenshot to show no claim is recorded against Mrs A's name. It allowed Mrs A's No Claims Bonus (NCB).

In addition to the recalculated premium and refund with interest, First Central paid Mrs A £250 compensation. This was for the distress and inconvenience caused by its poor handling of the claim and error in paying third party legal costs. It accepted it had initially closed the claim as a non-fault incident, but has since removed the claim.

One of our Investigators recommended First Central do more. She thought it should pay a further £75 compensation, so £325 in total. She asked First Central to provide a letter to Mrs A confirming clearly that the claim had been removed from her record. This meant Mrs A could show this to her existing insurer(s) in relation to other vehicles. Then Mrs A could ask that insurer to recalculate any premium she may have overpaid and provide a refund if appropriate.

First Central accepted the Investigator's view. Mrs A says the compensation award doesn't reflect the level of stress caused by First Central. Mrs A wants £1,000 compensation.

So as Mrs A disagrees the case 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.

There's no dispute that First Central's handling of the claim could and should have been better. When it received the claim from a third party, First Central defended it. As the TPI proceeded to court, First Central instructed solicitors to act on their behalf to defend the claim.

While the claim was open, it was correct for First Central to record the claim on a central database. This is standard procedure in the industry for motor claims and what insurers have signed up to agree to share.

However, First Central didn't act promptly once the claim was dismissed. It's clear from Mrs A's account that its failure to remove the claim and provide Mrs A with a refund due to the higher premiums she paid while the claim was open – was unreasonable.

I've looked at what First Central has done to put things right. While its actions go some way to put Mrs A back in the position she should have been in following the dismissal of the case in April 2024, I don't think it goes far enough.

I appreciate that Mrs A says the compensation award recommended by the Investigator isn't enough. She says she has had to pay a much higher premium elsewhere with a significantly higher excess, which she says carries more risk for her financially.

I can't direct First Central to deal with the difference in premium Mrs A may have paid with another insurer as a result of the recording of the claim. But I can ask First Central to provide a letter for Mrs A to show to her current insurer. She can ask them to recalculate the premium she paid and consider any reduction in the excess under the policy. If Mrs A isn't satisfied with the way her current insurer deals with her request, she can raise a complaint – and bring that complaint to this service if she remains unhappy.

I understand Mrs A will be disappointed with my decision. But for the distress and inconvenience caused by First Central's failings during the claims journey between in 2024, I think a fair compensation award is £325, along with the interest payable on the premium refunds it paid. This award is in line with awards we give in similar circumstances.

I think First Central should provide a letter confirming the claim has been removed.

### **My final decision**

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

- Pay a further £75 compensation, so £325 in total for the distress and inconvenience caused.
- Provide Mrs A with a letter confirming the claim against her from March 2022 has been removed from all external databases.

First Central Underwriting Limited must pay the compensation within 28 days of the date on which we tell it Mrs A accepts my final decision. If it pays later than this it must also pay interest on the compensation from the date of my final decision to the date of payment at a simple rate of 8% a year.

If First Central Underwriting Limited considers that it's required by HM Revenue & Customs to withhold income tax from that interest, it should tell Mrs A how much it's taken off. It should also give Mrs A a tax deduction certificate if she asks for one, so she can reclaim the tax from HM Revenue & Customs if appropriate.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs A to accept or reject my decision before 26 March 2025.

Geraldine Newbold

**Ombudsman**