

The complaint

Mr S complains about First Central Insurance Management Limited (“FCI”) and the cancellation of his motor insurance policy.

What happened

The claim and complaint circumstances are well known to both parties. So, I don’t intend to list them chronologically in detail. But to summarise, Mr S purchased a motor insurance policy, administered by FCI, in July 2023. But in April 2024, FCI were unable to collect Mr S’ monthly premium.

So, FCI emailed and text Mr S making him aware of this. And they took payment from the last card they had recorded on their system. But this card was for a different account to the one Mr S usually paid the monthly premium from, which was held in his brother and named driver’s name. So, Mr S didn’t recognise the payment and reported this to his bank.

Mr S’ bank contacted FCI making them aware of this fraud alert, explaining they believed the payment to be fraudulent. So, FCI treated this policy as ID theft and voided the policy, refunding Mr S the premiums he had paid up to that point.

In May, the following month, Mr S contacted FCI to query why his policy had been cancelled. And he asked for it to be reinstated when it became clear the payment was taken for a policy in his name. FCI advised they were unable to do this, but they altered the cancellation to customer led and waived any cancellation fee, before explaining Mr S would need to repay the premium refund they had provided. Mr S was unhappy about this, so he raised a complaint.

Mr S was unhappy that the situation had arisen due to FCI taking payment from a card he didn’t feel they were authorised to. So, he wanted the cancellation to be removed, the outstanding premium payment FCI were expecting waived and compensation for the impact the stress of the situation had caused him.

FCI responded to the complaint and didn’t uphold it. They explained they had processed the customer led cancellation. And that the £50 cancellation fee had been waived. But they maintained the outstanding balance needed to be paid to them, in line with the terms of agreements Mr S entered into. Mr S was unhappy with this response, so he referred his complaint to us.

While the complaint was with our service, FCI offered to pay Mr S a compensatory payment of £300 to recognise errors in their communication with him.

Our investigator looked into the complaint, considering this offer. And having done so, they thought the £300 offer was a fair one. They explained over several responses that they thought the policy terms and conditions, and credit agreement, made it clear FCI could attempt to take payment from the last payment card held on record. And they noted the card they took payment from in April 2024 was used in October 2023 to make a manual payment. So, while they recognised the arguments Mr S had put forward, they didn’t agree the

cancellation should be removed. And they set out why they thought FCI were fair to expect payment from Mr S for the outstanding balance, noting an offer of an affordable repayment plan had been made.

But they also accepted FCI's admission that their communication around the time of the missed payment, and fraud alert, could've been improved. And they explained why they thought the £300 compensatory payment was a fair offer to recognise the impact this caused.

Mr S didn't agree, referring to Continuous Payment Authority ("CPA") guidelines and other legislation. As Mr S didn't agree, the complaint has been passed to me for a decision.

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.

Having done so, I am upholding the complaint. But I'm satisfied the offer of compensation made by FCI is a fair one, for broadly the same reasons as the investigator. I've focused my comments on what I think is relevant. If I haven't commented on any specific point, it's because I don't believe it's affected what I think is the right outcome.

I note it's not been disputed by either party that FCI were unable to take payment from the account set up to pay the monthly premium by direct debit. And, that Mr S reported the payment FCI took from another account in his name as fraudulent. So, as this is accepted, my decision has been made on this basis.

And as Mr S reported the payment as fraudulent, this led to his bank reporting this to FCI. In this situation, FCI had a responsibility to act on the information provided to them and so, I'm satisfied they were fair to rely on the information Mr S' bank provided and take the action they did. They voided the policy and refunded the premiums Mr S paid, to place Mr S in the position he would've been in on their understanding he didn't take out the policy and so, didn't receive the benefit of it and at that point in time, that is what I would've expected them to do.

When Mr S then contacted FCI to make them aware it was himself who had taken out the policy, and that he didn't want it to be cancelled, I'm satisfied they were then fair to change the recording of the cancellation to customer led, so he wasn't negatively impacted when taking out future insurance. And I also think it was reasonable to waive the cancellation fee, as Mr S explained he didn't want the policy to be cancelled in the first place. But crucially, as Mr S did receive the benefit of the policy up until its cancellation, I'm satisfied FCI were then fair to request repayment of the policy premiums as otherwise he had received insurance for a period of time free of charge, which I don't think is fair to expect.

But I appreciate Mr S disagrees with the above. And I want to reassure Mr S I've thought carefully about the arguments he's put forward, including his referencing to legislation which I won't be quoting directly, due to the informal nature of our service and the approach we take.

And I want to recognise Mr S' point that from the evidence available to me, it appears FCI's system didn't note them having continuous card authority on the card ending 4182, which is the card they took payment from in April 2024. So, I can understand why Mr S feels this means FCI acted unfairly when taking payment from this account, which he didn't expect them to do, leading him to report it as fraudulent incorrectly.

But crucially, I don't think this means FCI should waive their request for the outstanding balance, as Mr S has requested. This is because I've seen in the policy terms and conditions it makes it reasonably clear that, where Mr S failed to pay the premium, he authorised FCI to *"allow for continuous authority to charge the card originally used, or the last card for which is held on record to process any related payments"*. This is supported by the terms of the credit agreement Mr S entered into when agreeing to pay the premium in monthly instalments, where it states, *"You grant us (or have obtained authority from the cardholder to grant us) continuous authority to charge the last card we have on record to process any outstanding balance"*.

In this situation, the last card Mr S used to make payment on record, bar the direct debit account where payment had failed, was the card ending in 4182. And Mr S has confirmed this was a card relating to an account in his name. So, based on the above, I think FCI have acted fairly, and in line with the terms and conditions of the policy Mr S held, when taking payment from this account.

And while I recognise Mr S says he wasn't expecting payment to be taken from this account, as the direct debit account was set up to be paid from an account in the name of the named driver, I've seen evidence that satisfies me FCI appropriately contacted Mr S by more than one durable medium to explain a direct debit payment had been missed, and that payment would be reattempted. And considering the payment on Mr S bank account shows as being paid to FCI after this notification, I think Mr S should've been reasonably aware what this payment related to, before reporting it as fraudulent. So, I'm unable to say the outstanding balance should be waived on this occasion.

But it's accepted by FCI that this communication could've been clearer, as it wasn't free from mistakes. I agree with FCI that they could've made it clearer the reattempted payment would be taken from the last card held on record. And, that the dates noted in the correspondence weren't always correct. While I don't think this would've ultimately changed the position Mr S found himself in, I do think these errors should be compensated for. So, I've then turned to what I think FCI should do to put things right.

Putting things right

Any award or direction I make is intended to place Mr S back in the position he would've been in, had FCI acted fairly in the first place. In this situation, had FCI acted fairly, I think their communication to Mr S after the missed premium payment could've been clearer, and without error.

But even if this had been the case, I'm not persuaded Mr S would've taken different action that would have left him in a different position. This is because, while I recognise the monthly premiums were due to be paid by an account in the name of the named driver, the policy itself was in Mr S' name and so, he had a responsibility to ensure payment was made.

And despite several emails and texts being sent to Mr S to make him aware of the missed payment, and the intended reattempt to take payment, I can't see Mr S contacted FCI until several weeks after the policy had been voided and premiums refunded.

So, even if the communication from FCI had been error free, and made clear the payment would be taken from another account, I'm not persuaded this would've alerted Mr S in a way that would've resulted in him not reporting the payment as fraudulent, considering he chose to do so after receiving this contact and the payment showing as being taken from FCI, who he knew to be the administrator of his motor insurance policy.

Because of this, while I don't in any way intend to take away from Mr S' lived experience and

his health conditions, I do think this mitigates the impact FCI's errors caused. And I've had to consider this when thinking about what FCI should do.

FCI have offered to pay Mr S £300 compensation to recognise the above. And this payment is on top of FCI's decision to record the cancellation as customer led while waiving the cancellation fee. Having considered this overall offer, I think it is a fair one that is most likely more than what I would've directed, had it not already been put forward.

I think it provides a more than adequate level of financial compensation, considering my decision that FCI acted fairly, based on the evidence available to them at the time. And that ultimately the situation began following Mr S' failure to ensure the monthly premium was paid on time. But it does recognise FCI did make errors and that there was some confusion caused to Mr S which he's needed to navigate. As this offer had been put forward by FCI themselves, I don't intend to reduce this as I don't think it would be a fair step for me to take.

So, because of all the above, I am directing FCI to pay Mr S £300 compensation.

I appreciate it has been some time since FCI refunded the premiums Mr S initially paid back to him. So, I'm pleased to see FCI have already agreed to discuss an affordable repayment plan with Mr S to recognise this, and any financial difficulty this may create. Our service is unable to involve ourselves in the agreement of this plan and so, this is something FCI and Mr S will need to arrange themselves.

My final decision

For the reasons outlined above, I uphold Mr S' complaint about First Central Insurance Management Limited and I direct them to take the following action:

- Pay Mr S £300 compensation.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 13 March 2025.

Josh Haskey
Ombudsman