

The complaint

Mr P complains about how First Central Underwriting Limited (First Central) dealt with a claim under his motor insurance policy following an accident that led to his vehicle being a total loss.

Any reference to First Central in this decision includes their agents.

This decision covers Mr P's complaint to this Service in July 2024, and First Central's final response issued in August 2024. Mr P's complaint was about First Central's handling of an accident in which Mr P's vehicle was in collision with a third party, who accepted liability for the accident. Mr P accepted a settlement offer from the third party insurer (A) but First Central disposed of Mr P's vehicle, leading to A withdrawing their offer. Mr P wanted First Central to match the withdrawn offer and compensation for what happened.

During the course of this Service's investigation of the complaint, Mr P also raised additional issues with the treatment of the claim recorded by First Central and the subsequent impact on his renewal premium. However, the latter didn't form part of Mr P's original complaint or First Central's final response, so they aren't considered in this decision (they would need to be the subject of a separate complaint, in the first instance, by Mr P to First Central).

What happened

In June 2024 Mr P was involved in an accident in which his vehicle sustained damage from a collision with a third party vehicle. He contacted First Central to tell them about the accident. He asked for time to consider whether to make a claim. First Central arranged for recovery of the vehicle to their salvage agent (C).

The third party insurer (A) accepted liability for the accident and made Mr P a settlement offer for his vehicle as a total loss. A's offer comprised a pre-accident value of the vehicle (£6,100); additional compensation (£500); cash in lieu of hire (£921.48); and some additional equipment (£339.98) making a total of £7,861.46. They also said they would return some vehicle accessories to Mr P or compensate him if this wasn't possible. He accepted the offer.

However, First Central took possession of the vehicle and instructed C (who were agents for both A and First Central) to dispose of the vehicle through auction. Mr P spoke to First Central, who said they would complete a seller's exchange so A could have the vehicle. But this didn't happen, and A withdrew their offer. Mr P was then told by First Central he would have to accept their settlement offer. But the settlement offer didn't match A's offer for cash in lieu of hire (a payment for loss of use of his vehicle).

Mr P was unhappy at what happened, so he complained to First Central.

First Central upheld the complaint. In their final response they accepted they didn't provide the correct information to Mr P when he first notified them of the accident. Although Mr P hadn't decided whether to make a claim with First Central or through A, First Central wrongly instructed C to recover the vehicle (for them to recover the vehicle there would need to be an

active claim). First Central also didn't tell Mr P to contact A to get them to contact C to register the seller change which led to Mr P's vehicle being wrongly sent to auction and sold. In acknowledgement of the multiple errors, First Central awarded £550 compensation. This comprised £140 for 14 days loss of vehicle; £10.20 in interest for delayed payment for his vehicle; £350 for multiple errors in handling the claim; and £50 for incorrectly telling Mr P they would pay for the new tyres Mr P had fitted prior to the accident. First Central said they authorised a payment of £6,500 for the value of Mr P's vehicle along with personal items.

Mr P then complained to this Service. He wanted an explanation for how First Central had handled matters and the amount offered by the third party insurer. He also wanted compensation for the stress and anxiety caused by what had happened and the financial detriment he'd suffered. After he initially brought his complaint, Mr P also said that – having initially said they would pause matters while the situation was resolved – First Central had his vehicle put through auction and it had been sold.

Having requested First Central's business file but not receiving it by the deadline requested, our investigator initially issued a view upholding the complaint, concluding First Central hadn't acted fairly. The investigator noted First Central accepted making several errors over the course of what happened. They should have done more to enable Mr P to take up A's offer and avoid the vehicle being sold. First Central had offered a settlement of £6,500 to cover the value of the vehicle and its contents, as well as £550 to cover loss of use, interest and compensation for the errors. The investigator didn't think it appropriate to include the interest and compensation elements against the offer from A as they were payments in respect of First Central's errors.

Taking the vehicle valuation and loss of use elements into account, First Central had paid a total of £6,640 to Mr P. Compared to A's offer, this was £1,221.46 less. The investigator thought First Central should pay this difference to Mr P, with interest from the date of A's offer to the date First Central paid the difference to Mr P. As First Central wouldn't have had to make a settlement had they acted fairly and Mr P received A's offer, they should also record the accident as notification-only.

Mr P responded to the investigator's initial view to say it didn't include the vehicle accessories A had said they would return or compensate him for. Mr P said he could have re-used the accessories on his replacement vehicle, as it was the same make and model as his original vehicle. He said the items would cost £580.52 to replace.

The investigator accepted Mr P's additional submission and issued an updated view to First Central, recommending they pay Mr P £1,801.98 (plus interest).

First Central responded to the investigator's views to say they'd issued a settlement of £7,444.98 for the pre-accident value of Mr P's vehicle of £6,500 and £944.98 for personal effects (based on Mr P's evidence). Compared to A's offer of £7,861.46 that meant a difference of £416.48. Adding interest would bring the total amount outstanding payable to Mr P to £455.48. These sums were separate to the £550 compensation and interest already issued. On the issue of recording of the claim, First Central said they would record it as notification-only once they had made full recovery of their outlays from A.

Our investigator then issued a further view. Taking A's offer of £7,861.46 and the replacement value of the vehicle accessories (£580.52) gave a total of £8,441.98. As First Central had paid £7,584.98 they should pay an additional £857 (plus interest). While First Central said they would record the claim as notification only when they'd recovered their outlays from A, the investigator thought they should do so regardless, as had they acted fairly Mr P wouldn't have made a claim under the policy.

First Central accepted the investigator's further view, paying Mr P the additional £857 and interest. But they disagreed about the recommendation to close the claim as notification only, maintaining their stance they would do so once they had recovered their outlays from A. At that point they would close the claim as notification only and inform Mr P. Mr P could then request retrospective calculation of any premiums for new policies he may have taken out or renewed since the accident.

Our investigator accepted First Central's position, but Mr P disagreed, asking that an ombudsman consider the complaint. He said First Central should have accepted the investigator's further view that they should treat the claim as notification only. He also thought First Central should double the compensation of £550 because of the additional time the complaint had been ongoing, and he'd been contacting them on a weekly basis about recording the claim as notification only. He also said First Central hadn't paid the additional interest (£14.24) they'd agreed to pay. And his renewal premium had increased significantly, due to the open claim (by some £295). He thought First Central should reimburse the £295 (potentially over the next five years).

In my findings, I concluded Mr P had been paid the value of his vehicle as a total loss and for the value of items fitted to the vehicle as well as for the accessories he could have used on his replacement vehicle. I was also satisfied that interest on the various sums had been calculated and paid in accordance with the recommendations from our investigator and that these sums are fair and reasonable. So, Mr P was put in the financial position he would have been had he been paid the settlement offered by A.

On the point that Mr P's vehicle was sold on First Central's instruction, through C, at auction, while this was an error on First Central's part, it doesn't change what would have happened had Mr P accepted A's offer. In that scenario, the vehicle would have become the property of A and I think A would have also disposed of the vehicle (also through C, as they had the same salvage agent as First Central). So the outcome was the same – albeit sold through First Central rather than A.

On the issue of compensation, I concluded First Central's £350 compensation for the impact of their errors was fair and reasonable, so I didn't ask them to make a further award.

On the remaining issue of the treatment of the claim which Mr P ended up making under his policy with First Central, I concluded it was fair and reasonable for First Central to keep the claim open until they recovered their outlays from A and then close the claim, as notification only. At that point, they should re-calculate Mr P's renewal premium and, if means a reduction, refund Mr P the difference. I thought it reasonable to add interest on any refund, at a rate of 8% simple, from the date of renewal of the policy to the date of the refund.

Because I reached different conclusions to our investigator, I issued a provisional decision to give both parties the opportunity to consider matters further. This is set out below.

What I've provisionally decided – and why

I've considered the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

My role here is to decide whether First Central has acted fairly towards Mr P.

There are several key issues in Mr P's complaint, as set out above. But the principal issue is First Central's handling of the accident after it was notified by Mr P. Had they not made a series of errors, Mr P would have accepted A's settlement offer and not made a claim under his policy with First Central.

I've set out what happened in detail above, because through the various offers and settlements, the end result is that First Central have paid Mr P the equivalent of what he would have received from A had they made the settlement offered (a total of £8,441.98). Which is the same (within 2p) as A's original offer of £7,861.48 plus the replacement value of the vehicle accessories of £580.52.

So, Mr P has been paid for the value of his vehicle as a total loss and I've not seen anything to suggest he is unhappy with the valuation (either from A or from First Central). So, I haven't considered this aspect any further.

He's also been paid for the value of items fitted to the vehicle (a dashcam and fittings) as well as for the accessories he could have used on his replacement vehicle, as it was the same make and model as his original vehicle.

I'm also satisfied that interest on the various sums has been calculated and paid in accordance with the recommendations from our investigator in their views and that these sums are fair and reasonable.

So, Mr P has been put in the financial position he would have been had he been paid the settlement offered by A.

I've also considered the point made by Mr P that his vehicle was sold on First Central's instruction, through C, at auction. While this was an error on First Central's part, it doesn't change what would have happened had Mr P accepted A's offer. I say that because had the offer been accepted, the vehicle would have become the property of A (hence the potential seller exchange to transfer the vehicle to A) and in those circumstances, I think A would have also disposed of the vehicle (also through C, as they had the same salvage agent as First Central). I've seen nothing to indicate Mr P wanted to keep the vehicle, so the outcome of the vehicle being sold was the same – albeit through First Central rather than A.

I've also considered the distress and inconvenience suffered by Mr P from what happened. While the outcomes set out above are the same, it has taken considerably longer to arrive at the same position and this has clearly had an impact on Mr P. Taking account of the circumstances and what happened, together with First Central's acknowledgement of their errors in the handling of the case, then I think Mr P suffered considerable distress, upset and worry over many weeks and significant inconvenience and disruption.

I've also considered the published guidelines from this Service on awards for distress and inconvenience. First Central awarded £350 compensation for the impact of their errors (within an overall £550 compensation) and I think the former figure is fair and reasonable, so I won't be asking them to make a further award.

Mr P has asked for the overall compensation to be doubled because of the time taken to consider his complaint and the further settlement reached, but we wouldn't award compensation purely due to the time taken for this Service to investigate a complaint and reach an outcome and decision.

Having reached these conclusions, the remaining issue is the treatment of the claim which Mr P ended up making under his policy with First Central (rather than accepting the settlement from A, which would have avoided the need for him to make a claim to First Central). First Central say they will record the claim as notification-only when they recover all their outlays from A. And at that point, Mr P could then request retrospective calculation of any premiums for new policies he may have taken out or renewed since the accident.

Our investigator recommended First Central record the claim as notification only, regardless of whether (when) they recover the outlays.

I've thought about this issue carefully, but I've concluded First Central's position is fair and reasonable. It's standard practice in the insurance industry for a claim to remain open until such time as an insurer recovers their outlays from a third party (or third party insurer). So, First Central are following this practice. It's also fair and reasonable for insurers, when a claim is closed, to enable a policyholder to ask for a retrospective re-calculation of a policy premium based on the closed claim (when a premium was originally calculated with an open claim). Where the closure of a claim leads to a re-calculation that produces a lower premium, then we'd expect the insurer to refund the difference to the policyholder.

So, I've concluded it's fair and reasonable for First Central to keep the claim open until they've recovered their outlays from A and then close the claim, as notification only. At that point, they should re-calculate Mr P's renewal premium and, if means a reduction in the premium, refund Mr P the difference. I think it would be reasonable to add interest on any refund of premium, at a rate of 8% simple, from the date of renewal of the policy to the date of the refund.

While it can take time for an insurer to recover their outlays from a third party insurer, I think it would be reasonable for First Central to close the claim within 12 months of the accident.

In this case, Mr P has told us that his premium (which I take to be with First Central) has increased at renewal by £295. The implication being that the increase is due to the open claim recorded by First Central. However, I've not seen any renewal invitation or confirmation of renewal documentation. So, it's not possible to know what factors may have influenced Mr P's renewal premium. Renewal premiums can be affected by many factors, for example a change in risk assessment by an insurer (either a change to general risk ratings or specifically in the circumstances of a policyholder), general increases in premiums (for example as a result of rising cost of claims) or other factors.

And in Mr P's case, even had he received a settlement from A and not made a claim to First Central, the fact of his having an accident – even where he wasn't at fault and liability was accepted by the third party insurer – would still have been likely to affect his renewal premium with First Central. It would also have been likely to affect any premium he may have been offered by an alternative insurer, as it's standard practice for insurers to ask about a consumer's accident and claims history, typically within the previous five years, even where an accident doesn't lead to a claim.

And as I said earlier, Mr P's complaint and First Central's final response don't cover this aspect and therefore it isn't something I can consider in this decision. If Mr P remains unhappy at the increase in his premium, then he would need to raise a separate complaint to First Central, in the first instance.

Taking all these factors into account, I've concluded First Central have acted fairly towards Mr P, albeit that some elements of what they've done to put things right only occurred after Mr P brought his complaint to this Service.

My provisional decision

For the reasons set out above, my provisional decision is that I uphold Mr P's complaint in part. I intend to require First Central Insurance Limited to:

- Close Mr P's claim as notification only when they have recovered their outlays from A.*

- *On closing the claim, re-calculate the renewal premium paid by Mr P and, if this leads to a reduction in premium, refund the difference to Mr P.*
- *Add interest to any refund of premium, at a rate of 8% simple, from the date Mr P renewed his policy to the date of the refund.*

Mr P responded to ask me to ensure points two and three of my provisional decision were included in the final decision.

First Central didn't respond by the deadline requested for responses.

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.

My role here is to decide whether esure have acted fairly towards Mr P.

As Mr P simply requested I include points two and three of my provisional conclusion in my final decision (and First Central didn't respond) then my final decision remains the same as my provisional decision, for the reasons set out in my provisional decision.

My final decision

For the reasons set out above, my final decision is that I uphold Mr P's complaint. I require First Central Insurance Limited to:

- Close Mr P's claim as notification only when they have recovered their outlays from A.
- On closing the claim, re-calculate the renewal premium paid by Mr P and, if this leads to a reduction in premium, refund the difference to Mr P.
- Add interest to any refund of premium, at a rate of 8% simple, from the date Mr P renewed his policy to the date of the refund.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr P to accept or reject my decision before 10 March 2025.

Paul King
Ombudsman