

The complaint

Mrs M has complained that First Central Underwriting Limited increased the price for her motor insurance policy because it said she had misrepresented information.

What happened

Mrs M took out a motor insurance policy with First Central through an online price comparison site. First Central validated her policy details and it said Mrs M hadn't disclosed two fault claims and she hadn't stated her correct annual mileage. So it increased her premium substantially. Mrs M was unhappy with this, and she cancelled her policy.

When Mrs M complained, First Central said she'd answered the questions she'd been asked about previous claims and her expected annual mileage incorrectly. And that it considered this to be a careless qualifying misrepresentation, which entitled it to increase her premium.

Mrs M brought her complaint to us, and our Investigator thought it should be upheld. He didn't agree there had been a qualifying misrepresentation. He thought First Central hadn't provided any evidence to show that Mrs M had two undisclosed claims or that her annual mileage was understated. He thought First Central should refund the cancellation fee, pay Mrs M the difference in cost between her new policy and the first policy offered by First Central, and pay her £300 compensation for her trouble and upset.

First Central doesn't agree with the Investigator and has asked for an Ombudsman's decision. First Central said it had asked Mrs M for information to validate her policy, but she hadn't provided this. And so it said it was justified in applying a higher premium based on information from Mrs M's quote history.

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.

I can understand that Mrs M felt frustrated when her premium was increased for her policy. She said the information she had provided to First Central was correct. The additional premium made the cost for the policy too high, and so she found a new policy elsewhere. She said this cost more than her original quote from First Central.

First Central said it had increased Mrs M's premium because of misrepresentation. So I'm satisfied that the relevant law in this case is The Consumer Insurance (Disclosure and Misrepresentation) Act 2012 (CIDRA). This requires consumers to take reasonable care not to make a misrepresentation when taking out a consumer insurance contract (a policy). The standard of care is that of a reasonable consumer.

And if a consumer fails to do this, the insurer has certain remedies provided the misrepresentation is - what CIDRA describes - as a qualifying misrepresentation. For it to be a qualifying misrepresentation the insurer has to show it would have offered the policy on different terms or not at all if the consumer hadn't made the misrepresentation.

CIDRA sets out a number of considerations for deciding whether the consumer failed to take reasonable care. One of these is how clear and specific the insurer's questions were. And

the remedy available to the insurer under CIDRA depends on whether the qualifying misrepresentation was deliberate or reckless or careless.

First Central thinks Mrs M failed to take reasonable care not to make a misrepresentation when she stated in her application via a comparison site that she had only two claims within the previous five years, and that she had understated her expected annual mileage.

And I've looked at the questions Mrs M was asked when she completed the application. And I don't agree she failed to take reasonable care. This is because I can see that Mrs M disclosed two fault claims within the previous five years, albeit one was dated incorrectly by two days.

Mrs M said there weren't any other claims and First Central hasn't provided persuasive evidence, such as an extract from the Claims and Underwriting Exchange (CUE) to show that there were further undisclosed claims. First Central said the two further claims were stated on quotes made by Mrs M on the comparison site. But I can't see that they were stated on the policy Mrs M took out. And, looking at her quote history, Mrs M only ever stated she had two fault claims, but I think she had misquoted the dates of these several times. And I think her proof of No Claims Discount (NCD) and claims history would have clarified this.

First Central said it asked Mrs M for documents to validate her policy. And Mrs M said she sent it proof of her previous claims and NCD. First Central then asked for these again or the policy would be cancelled. It then told Mrs M that her premium would be amended substantially based on her highest rated risk. Mrs M then cancelled the policy and First Central asked for the outstanding balance, which included its cancellation fee, to be paid.

First Central had increased Mrs M's annual mileage from 10,000 to 50,000. But I can see that Mrs M had requested 10,000 in a number of quotes and 50,000 in just one quote, indicating that it was an error. And she has said this mileage was correctly stated on her first policy with First Central. So I have no evidence to show that Mrs M misrepresented her annual mileage to First Central.

And I think this means Mrs M did take reasonable care not to make a misrepresentation when she said she had two claims within the previous five years and her expected annual mileage was 10,000. And I think this means that Mrs M didn't make a qualifying misrepresentation under CIDRA. And so I think it was unfair for First Central to increase her premium for this reason.

First Central also said that Mrs M hadn't complied with its requests for documentation to provide evidence of her claims history. Mrs M said she had provided this evidence. And First Central hasn't provided us with evidence from its records to show that this wasn't uploaded to her online account as it had requested. But, in the end, this isn't relevant as Mrs M cancelled her policy due to the premium increase which, as I've said above, First Central hasn't justified.

When a business makes a mistake, as I think First Central has done here, we expect it to restore the consumer's position, as far as it's able to do so. And we also consider the impact the error had on the consumer.

Mrs M didn't want to cancel her original policy, but she was compelled to do this by the increase in premium. To put things right for Mrs M, I think First Central should reasonably refund her the cancellation fee it charged.

And, as Mrs M has taken out a more expensive policy elsewhere, it should reasonably refund her the difference between the cost of this and its original quote.

In terms of impact, Mrs M has been caused trouble and upset over some months and has had to find alternative cover. Our Investigator recommended that First Central should pay

her £300 compensation for this. I think that's fair and reasonable as it's in keeping with our published guidance for the trouble caused to Mrs M.

Putting things right

I require First Central Underwriting Limited to do the following:

1. Refund any cancellation fee paid by Mrs M
2. Pay Mrs M the difference in cost between the new policy she took out and her original policy with First Central.
3. Pay Mrs M £300 compensation for the distress and inconvenience caused by its level of service.

My final decision

For the reasons given above, my final decision is that I uphold this complaint. I require First Central Underwriting Limited to carry out the redress set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs M to accept or reject my decision before 20 May 2025.

Phillip Berechree
Ombudsman