

The complaint

Mr M complains that First Central Underwriting Limited didn't refund him after he cancelled his motor insurance policy.

What happened

Mr M held a motor insurance policy with First Central. When he wasn't able to make use of the policy anymore, he cancelled it.

Mr M complains that after that cancellation, he wasn't given any refund, despite the policy not having run for the full year.

First Central said earlier in the policy year it paid out on a claim on Mr M's policy. It said for that reason, no refund was due. It said this was clear in the policy terms.

Mr M disagreed that this was fair. He said it wasn't clear in the terms and that if it were he'd have taken a different policy. He also says he paid his premium for a service, not to cover the First Central's losses in respect of paying claims to other people.

Our Investigator didn't recommend it be upheld. She thought it was reasonable and in line with the policy terms for First Central to not give a refund because it had paid out for a claim.

Mr M didn't agree and asked for an Ombudsman's opinion.

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'm not upholding it.

The terms of the policy are clear in that where a claim is made, there'll be no refund on the policy. It says Mr M might not receive a refund if *"You have made a claim in the policy year or a claim has been made against your policy."* I appreciate Mr M thinks this isn't clear enough in terms of stating whether this means fault claims or otherwise, but I think it is.

But, even if I were to find it wasn't, it's a standard industry wide term. I'm not persuaded Mr M would have been able to purchase a policy which did anything different. Mr M wasn't in control of whether the third party made a claim on his policy or not – at least not in respect of choosing a policy that would cover him for that claim or give him a refund if such a claim were paid.

Mr M has said *"The purpose of an insurance premium (appropriately calculated with an algorithm to account for likelihood of claims) is that is payment made by a consumer in exchange for a service (car insurance), not to offset potential losses/claims."* And he's right.

But First Central have provided him a service. The policy, like all motor insurance policies (it's the minimum legal requirement) covers him for his liabilities to others.

Here, Mr M was involved in an incident he was deemed liable for (I've not been made aware that he disputes that). So as a result, his insurer, First Central has paid the third party's claim for that third party's damages. That is a service, it's paid that so Mr M doesn't have to. It's insured him against that cost.

That cost was almost double the premium Mr M paid. So I'm completely satisfied that no refund is due. The policy engaged when it needed to, provided the service it said it would, and when it was cancelled, it did what it said it would (and what most other policies also do).

My final decision

For the reasons set out above, my final decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 18 July 2025.

Joe Thornley
Ombudsman