

The complaint

Mr J complained that First Central Insurance Management Limited (“First Central”) unfairly applied a default notice due to issues with his Direct Debit payments, under his motor insurance policy.

What happened

Mr J said he had problems with his regular policy payments. First Central then cancelled his policy on 14 December 2022, 14 days after its last attempt to debit his account. Mr J said he accepted a payment plan that started on 20 March 2023. After his first payment he received a default notice. He said he contacted the business on 11 August to ask that the default was removed but this was refused.

In November 2024 Mr J said he raised concerns again when he found that one of the credit reference agencies was showing a default marker. He said the amounts showing were incorrect as he had paid the debt. Mr J said First Central had failed to account for payments he’d made before the payment plan had been agreed. He said the business agreed to remove the marker within 30 days and offered £500 compensation. But maintained that late payment markers relating to two months would remain on record.

Mr J said that the markers have impacted his ability to obtain credit including a mortgage and car finance. So, he complained to First Central.

In its final complaint response in November 2024 First Central said it gave notice to Mr J to make payment, or his policy would be cancelled. However, it offered £500 to acknowledge the impact of not removing the relevant debt markers when Mr J had started paying the debt. It confirmed its offer of £500 included reimbursement of the cancellation and default fee.

Mr J didn’t think he’d been treated fairly by First Central and referred the matter to our service. Our investigator didn’t uphold his complaint. She said it was fair that the business agreed to remove the markers for payments from April through to August 2023. This is because Mr J was abiding by the payment plan he’d agreed. Our investigator said the markers prior to this were recorded correctly. She didn’t think Mr J had shown First Central’s actions had impacted on his ability to obtain credit. This is because there were other markers on his record that could have had this effect.

Our investigator thought First Central had acted fairly when communicating the cancellation and default to Mr J. He said £500 was reasonable compensation for the incorrect late payment markers.

Mr J didn’t agree with our investigator and asked for an ombudsman to consider his complaint.

It 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.

Having done so, I'm not upholding Mr J's complaint. I'm sorry to disappoint him but I'll explain why I think my decision is fair.

I've checked the credit agreement Mr J had with First Central. The relevant sections are copied below:

"MISSING PAYMENTS

Failing to pay your Monthly Repayments by the due date will be a breach of this Agreement, which will result in us sending you a default notice. Failure to comply with the default notice will lead to the termination of this Agreement. It may also result in us enforcing our charge over the relevant insurance policy, which will mean you'll no longer be insured under the policy. We may also take legal action or use a debt collection agency to recover any Outstanding Balance. Missing payments may make it more difficult for you to obtain credit in the future."

And:

"Charges and Fees - (a) We'll charge you £15.00 if your agreement falls into arrears."

Mr J's policy terms and conditions booklet includes a table that sets out additional charges that can apply. A charge of £50 applies if a cancellation occurs after 14 days of the policy start date.

Based on this evidence Mr J was informed in advance of the need to make his monthly payments. And what would happen if he didn't. Mr J doesn't dispute that funds weren't available to be collected in November 2022. I can see he was sent a text message and an email confirming this. A further email was sent when payment wasn't received. This told Mr J he must bring his account up to date. If not, the policy would be cancelled in 14 days on 14 December, when a £50 cancellation fee would also be charged.

Mr J didn't make a payment. This resulted in First Central sending a further email confirming the date and time of the cancellation. The email told Mr J that if he didn't make arrangements with First Central's Collections team the account could be referred to a debt collection agency. It also advised that his credit rating may be adversely affected if he didn't make payment.

I've seen a breakdown of the amount Mr J owed. I can see that this information was also sent to him. I think First Central was clear when informing Mr J what he owed and what the charges related to. Mr J did eventually agree a payment plan and made payments from April 2023 onwards. The records show that markers were still recorded from April. I don't think this was fair given Mr J had started making payments to clear the debt. First Central acknowledged this wasn't correct. It's confirmed that it took the necessary action to amend the record. I think this was reasonable.

I've thought about Mr J's comments that he was unable to obtain credit because of these markers. He's provided some evidence of refused credit applications. But this doesn't show the markers from April 2023 were the cause of the refused credit. Mr J has other markers against his record that are valid. It's not possible for me to determine that the markers from April onwards were solely to blame for this.

That said the information recorded by First Central wasn't accurate. It took further contact from Mr J to have this changed, which caused him inconvenience. So, it's fair that he receives some compensation. First Choice offered him £500. This was to include a refund of the £50 and £15 charges applied for the cancellation and for the account going into arrears. I think this is fair. But I can't see that First Choice is solely responsible for Mr J being refused credit, so I won't ask it to pay more.

I acknowledge Mr J's comments that the email he received wasn't a default notice. He said this means First Choice should not have cancelled his policy when it did. I take his point. The email he was sent at the end of November 2022 didn't mention a default. But it did explain that the policy would be cancelled in 14 days if payment wasn't made. A default notice was later sent in March 2023 as Mr J hadn't paid the balance on his account. This explained what he should do to avoid further action being taken, which could include court action and First Central recording adverse data with the credit reference agencies. So, I don't think it treated him unfairly in how this information was communicated.

Having considered all of this I don't think First Central treated Mr J fairly in how it initially recorded the status of the debt from April 2023 onwards. But it has since put this right and offered £500 compensation, which I think is reasonable. The business fairly relied on its policy terms to cancel Mr J's policy. So, I can't reasonably ask it to do anymore.

My final decision

My final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr J to accept or reject my decision before 15 August 2025.

Mike Waldron
Ombudsman