

The complaint

Mr E says First Central Underwriting Limited provided poor service relating to car hire and the value of his written off vehicle when he made a claim on his motor insurance policy.

What happened

Mr E reported a non-fault accident to First Central on 28 May 2024. Its advisor told him he'd get a replacement car provided by 'firm A' and that the cost would be covered by the other driver's insurer. She said if his car was written off he'd retain the hire car for seven days after he was paid for it by First Central. Mr E was given a hire car by firm A on 30 May 2024. Based on what he'd been told, he thought the hire contract was between it and First Central.

On 25 June 2024 First Central offered Mr E £7,030 for his car, which he rejected. Two days later firm A asked him to return the hire car. First Central increased its offer on 10 July 2024 and again on 12 July 2024 - to £7,500, which Mr E accepted. He was paid on 19 July 2024 (although later, he said he wanted £1,500 more for the car). Meanwhile, firm A had emailed Mr E about hire charges and had mentioned debt collectors and legal action. Mr E emailed First Central several times for advice. It tried to contact him on 1 July 2024 and did so on 6 July 2024. It said he should return the car, and he did on the next working day.

In its response to his complaint about hire and the car's valuation, First Central confirmed that it had paid £7,500 for the car. It said it had made a referral to firm A for a hire car, but that the hire contract was between firm A and Mr E. It apologised for a lack of clarity on its part at the start. First Central also said firm A had the right to end the hire early and that the other driver's insurer wouldn't pay for hire after a total loss offer was made for Mr E's car. First Central offered Mr E £75 compensation, then £150 after he complained to us.

One of our Investigators reviewed Mr E's complaint. He thought the sum First Central had paid for the car was reasonable, as it was in line with the figures quoted in the national valuation guides. But he thought Mr E should have been given hire until seven days after the total loss payment was made, as that's what he'd been told would happen. He thought it would be fair and reasonable for First Central to pay firm A the sum it still required. And he also thought First Central should pay Mr E £500 compensation, as he'd faced substantial distress and inconvenience.

First Central said that at the time of its initial call with Mr E, it didn't know the valuation would be disputed. It said he should have returned the car to firm A as requested, that the hire period was set out in the hire agreement, and that he'd been told at the start he'd have to pay any hire charges not accepted by the other insurer. But the Investigator thought it was reasonable for Mr E to dispute the valuation. He also thought First Central had given Mr E the impression it had control over when the hire car would be taken back, by telling him he'd have seven days hire after the settlement was paid. As there was no agreement, the complaint was passed to me for review.

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.

The valuation

In my opinion, the settlement First Central paid for the car was reasonable. We think the sums set out in the national valuation guides generally reflect what a car's market value is likely to be, and the sum First Central paid is in line with the top valuation in the guides. Mr E provided adverts showing cars with much higher asking prices. We don't normally give much weight to advertised prices, partly as they're open to negotiation. And in this case I don't think Mr E has shown that the advertised cars were similar in all respects to his car.

Hire

I don't think the content of the initial call between First Central's advisor and Mr E was helpful to him. I think she rushed through the information about the replacement car. I don't think she explained properly what credit hire was, or how it worked. Although she said Mr E would have to 'co-operate' if there were any issues with the other insurer (which she said rarely happened) I don't think many consumers would have understood fully what she meant. And I can see why Mr E got the impression that First Central was part of the hire agreement. Its advisor said 'we' will provide a car on credit hire, 'our' aim is to recover from the other party, and 'we' will require co-operation with charges if necessary.

I think the advisor was very clear about one issue – that Mr E would have the hire car for seven days after he *received payment* from First Central should his car be written off. Consumers usually retain a hire car for a few days after a settlement sum is paid for their car by an insurer. Mr E had no reason to think that wouldn't happen in this case – or that First Central would have no control over when the hire car would be taken back.

Although First Central didn't know for sure during the first call that Mr E would dispute the initial sum it offered, it's very common for consumers to do so. Valuation disputes can be difficult and often take time for insurers to resolve. It isn't clear why firm A asked for the car back almost immediately after First Central made its initial offer to Mr E. The Investigator asked First Central for details of the correspondence / calls between it and firm A, but it didn't provide them and didn't explain that omission. In the absence of evidence to the contrary, it looks as though the car's withdrawal was probably due to firm A being made aware of the initial offer. If so, I don't think that was reasonable. It was always possible, or even likely, that Mr E wouldn't accept it, as an offer is often the start of a negotiation.

First Central told us the agreement Mr E signed with firm A would have had the dates of hire on it. Mr E says he didn't sign an agreement for hire and therefore he doesn't have a copy of one. First Central said it had asked firm A for a copy of the agreement, but it seems firm A didn't provide one. So there's no evidence of an agreement or what was set out in it. I think it seems unlikely it would have contained the dates of hire, and firm A couldn't have known when the settlement offer would be made by First Central or accepted by Mr E.

I don't think it's surprising that Mr E didn't return the hire car until he'd had confirmation from his insurer that he should do so. He believed First Central had control of the issue, because it had told him the car wouldn't need to be returned for seven days after it had paid him the settlement sum. So I think the confusion on his part was caused by First Central. He

returned the car as soon as First Central advised him to do so - although at that point its final offer was still four days away, and he wasn't paid for 11 days after he returned it.

Under a credit hire arrangement, Mr E would normally have been responsible for any extra hire charges, but I think this case is unusual. In the circumstances here, I think it would be fair and reasonable for First Central to liaise with firm A (and perhaps the other driver's insurer) and to pay the extra hire sum required.

Distress and inconvenience

Mr E had a non-fault accident and went along with what his insurer told him to do. He expected to be paid for his car before the hire car was returned so he could buy a new one. His understanding was that his insurer was managing the situation. So it was confusing and upsetting for him to be told by firm A to return the car early, and distressing for references to be made to the action that may be taken by it against him - especially when there was still no agreement about the settlement of his claim. That led to a very unpleasant dispute between Mr E and firm A. And Mr E also had to deal with having unexpected charges made on his credit card, when that situation should never have arisen.

First Central isn't directly responsible for firm A's actions, but in my opinion, its poor referral / inadequate explanation to Mr E about the credit hire was the root cause of much of the distress he faced. Although Mr E didn't think firm A's demand for the car's early return was fair, I think he acted reasonably when First Central told him he should comply. But he was then left without a hire car or a total loss payment. I think the worry and inconvenience arising from that was worse for Mr E than for an average consumer, as he has two disabled children to transport.

First Central offered £150 for its lack of clarity, but I think the impact on Mr E of its actions merits more compensation for the substantial distress and inconvenience he faced. In my opinion it would be fair and reasonable for it to pay him £500 compensation in total.

My final decision

My final decision is that I uphold this complaint. I require First Central Underwriting Limited to settle the outstanding hire charges and to pay Mr E £500 for distress and inconvenience.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr E to accept or reject my decision before 16 July 2025.

Susan Ewins

Ombudsman