

The complaint

Mr S complained that his car insurance policy was cancelled by First Central Underwriting Limited.

What happened

Mr S took out a car insurance policy with FCUL which started in June 2023. Mr S added two named drivers to the policy. One of the named drivers had an accident in the car. Mr S raised a claim.

FCUL requested information to validate the policy but then settled the claim in full. After settling the claim, FCUL told Mr S that he'd provided incorrect information during his application and would need to pay an additional premium. They also advised him that if he didn't, the policy would be cancelled and gave 7 days notice.

Mr S contacted FCUL and believed he'd been given an extension to make payment. When he went to pay, he was informed the policy had already been cancelled. Mr S complained.

FCUL didn't uphold the complaint. Whilst they accepted contradicting information had been given to Mr S, they didn't think they needed to do anything differently. However, when providing a file to us, FCUL agreed they should have allowed Mr S the opportunity to reinstate the policy but now couldn't. They agreed to remove the cancellation record and any negative credit markers. However, as the claim had been settled, FCUL said the full initial premium would be owed.

Our investigator upheld the complaint. Whilst they thought the points in FCUL's offer were fair, they also felt Mr S should be paid £250 compensation. Mr S appealed. He didn't think the compensation was enough. He was also unhappy that he'd taken out a new policy after, which was much more expensive. As no agreement could be reached, the complaint has been passed to me to make a final decision.

Because I disagreed with our investigator's view, I issued a provisional decision in this case. This allowed both FCUL and Mr S a chance to provide further information or evidence and/or to comment on my thinking before I made my final decision.

What I provisionally 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 previously issued a provisional decision on this complaint as my findings were different from that of our investigator. In my provisional decision, I said:

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

When considering complaints such as this, I need to consider the relevant law, rules and

industry guidelines. So, I've thought about whether FCUL acted in line with these requirements when they cancelled Mr S's policy.

At the outset I acknowledge that I've summarised Mr S's complaint in far less detail than he has. I'm also not going to respond to every single point made. No discourtesy is intended by this. Instead, I've focussed on what I think are the key issues here. The rules that govern the Financial Ombudsman Service allow me to do this as it's an informal dispute resolution service. If there's something I've not mentioned, it isn't because I've overlooked it. I haven't. I'm satisfied I don't need to comment on every individual point to be able to reach an outcome in line with my statutory remit.

As the policy was cancelled due to incorrect information being provided at the point of sale, the relevant law in this case is The Consumer Insurance (Disclosure and Representations) 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. And the remedy available to the insurer under CIDRA depends on whether the qualifying misrepresentation was deliberate or reckless, or careless.

FCUL thinks Mr S failed to take reasonable care when he answered the following question on behalf of one of his named drivers:

"How long have you held this licence?"

The above question was answered 1 year. FCUL has provided me with the named driver's licence information. This shows that the named driver had only recently passed their driving test.

Based on the questions asked, the answers given and the licence information, I do agree that Mr S misrepresented during his application. I think the question is clear in what it wants to know and so I don't think Mr S took reasonable care when answering the question.

FCUL have provided me with a statement from an underwriter and the relevant parts of their underwriting ratings. Based on what I've seen, I'm satisfied that FCUL would have charged Mr S a higher premium. As a result, I think FCUL's misrepresentation would be a qualifying misrepresentation under CIDRA.

Whilst I haven't seen the category of misrepresentation applied by FCUL, they've offered Mr S to pay the additional premium to keep the policy. Whilst this isn't a remedy in CIDRA, it would be in line with a careless misrepresentation. This is the lowest level of misrepresentation, and I don't think this is unreasonable.

Whilst paying the additional premium isn't a remedy in CIDRA, as a service, we don't think it's unreasonable for an insurer to offer it to a customer as an option. Mr S agreed to pay the additional premium but couldn't as the policy had already been cancelled.

FCUL has now accepted that the correspondence about making a payment and cancellation sent to Mr S was confusing and contradictory and they should have allowed Mr S the chance

to reinstate the policy at the time. Unfortunately, due to the time that has passed, there is no benefit to the policy being reinstated now.

Whilst I acknowledge that FCUL's policy terms allow them to charge the full premium in the event of a claim and the policy being cancelled, in this case, I don't think that's a fair and reasonable outcome. By not allowing Mr S the chance to reinstate the policy, he lost the opportunity to continue to use the remaining time left on the policy, which was around 10 months. So, I don't think it's fair for FCUL to charge Mr S the full initial premium. However, I do think it's fair for FCUL to charge Mr S for the time he was on risk. As they've covered the claim in full, I don't think it's unreasonable for this to be based on the amended premium following the misrepresentation.

Mr S's initial premium was £2,765.57. Due to the misrepresentation an additional premium of £1,697.96 was payable (excluding an administration fee). This means the total premium for the policy year should have been £4,463.53.

Mr S was on cover for 58 days. So, I think it's fair that FCUL charge Mr S a maximum of £707.33 for the time he was on risk (based on 366 days on risk due to 2024 being a leap year). I understand that Mr S has already paid £512.06. So, I think FCUL should only ask Mr S for a maximum of an additional £195.27. I agree that they should also remove the insurer cancellation record and any negative credit markers.

Having a policy cancelled does cause an unreasonable amount of distress and inconvenience and requires a reasonable amount of effort to sort out. Mr S didn't use his car following the cancellation and this appears to be due to trying to sort the cancellation out with FCUL. I think Mr S could have arranged a new policy elsewhere which would have reduced the trouble and upset caused. The car wasn't put on cover again until May 2024. However, Mr S wasn't the policyholder. Whilst the policy was more expensive, it wasn't like for like. So, I don't think it's fair to ask FCUL to cover the additional costs of this policy. Based on what I've seen, I'm satisfied that the £250 compensation awarded by our investigator is fair and reasonable in the circumstances."

I set out what I intended to direct FCUL to do to put things right. And gave both parties the opportunity to send me any further information or comments they wanted me to consider before I issued my final decision.

Responses to my provisional decision

Mr S accepted my provisional decision.

FCUL also accepted my provisional decision.

What I've decided – and why

As both parties have now accepted my provisional decision, my final decision will be the same as the provisional decision.

Putting things right

FCUL should do the following to put things right:

- Ask Mr S to pay no more than £195.27 for the outstanding premiums;
- Remove the insurer cancellation record, this can be changed to a customer cancellation if preferred;
- Remove any negative credit markers applied based on the outstanding premiums

- owed;
- Pay Mr S £250 compensation for the distress and inconvenience caused

My final decision

For the reasons I've explained above, I uphold this complaint and direct First Central Underwriting Limited to put things right by doing as I've said above, if they haven't already done so.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 12 June 2025.

Anthony Mullins
Ombudsman