

The complaint

Mr V complains about an outstanding debt with First Central Insurance Management Limited ("FCIML") which has impacted his credit file.

What happened

In April 2022, Mr V took out an insurance policy to insure a car. To pay for the policy, Mr V took out a credit agreement with FCIML to spread the cost of it monthly, rather than paying for it in a lump sum. A deposit of £101.78 was paid by Mr V and he was then required to pay 11 monthly instalments of £106.57.

Towards the end of May 2022, further information was required from Mr V for the policy to continue. Some of the information required was a copy of an additional named driver's photocard driving licence.

In June 2022, Mr V said he contacted his insurance provider as he had sold his car and acquired a new one and wished to change the details of the policy. Mr V said that he was told his new car couldn't be covered and so ended the conversation.

Mr V said during the call he explained that the named driver on the policy was waiting for a replacement photocard driving licence, as she had lost her current one.

In June 2022, Mr V's direct debit instruction was cancelled and FCIML sent Mr V an email explaining that a payment had been missed. The email also explained that a late fee would be charged as outlined in the agreement if payment wasn't made soon.

Later, in July 2022, Mr V received confirmation that his policy had been cancelled. He also received a breakdown of costs FCIML said he still owed. Within the breakdown was a £50 charge for an admin fee. Mr V said he was charged this for attempting to change the car attached to the policy, and he didn't think he should have to pay this amount as FCIML were not able to make the change. Mr V was also charged a £50 policy cancellation fee, which he said he shouldn't have to pay as he never chose to cancel the policy. There was also a further charge of £15 for late payment which Mr V felt he shouldn't have to pay. And so, he said he didn't pay the amount FCIML said he owed them.

Mr V referred his complaint to our service in September 2024 and later made a formal complaint to FCIML.

In October 2022, FCIML sent a Default Notice to Mr V.

A late payment marker was added to Mr V's credit file in November 2022 as they didn't think Mr V complied with the Default Notice.

Mr V said that FCIML's debt collection team started chasing him for the money they thought he owed them and that the issue had impacted his credit file.

FCIML issued their final response to Mr V in January 2025. FCIML said that when Mr V asked to complete a change of vehicle, his policy was locked and no changes could be made until the information it had requested from Mr V was validated.

FCIML also gave a breakdown of some of the charges which were issued to Mr V. They explained that Mr V's premium had increased as some of the information requested couldn't be provided by him at the time. It meant rather than charging him the lower premium, it needed to increase this, because the cost of the policy was higher without the requested information. And they said this premium included a £50 administration fee, which was spread over his remaining direct debit payments. They also said they informed Mr V that the additional premium charged could be recalculated later, with any excess being refunded, if Mr V was able to provide the driving licence.

Unhappy with FCIML's response, Mr V asked our service to look into things.

Our investigator didn't uphold Mr V's complaint. In summary, our investigator concluded that the charges were applied fairly and that FCIML also didn't do anything wrong with reporting a default to Mr V's credit file.

Mr V disagreed with the investigator's findings. Among other things, Mr V reiterated that he was paying for a service that was never provided. Mr V believed his car was never insured.

Our investigator later explained to Mr V that he was satisfied the car he originally insured under the policy was covered. The investigator explained he saw internal notes which had been provided and that it showed Mr V completed the wrong process when attempting to change the vehicle the policy covered. The investigator explained it showed that Mr V changed the registration plate by following the "*cherished plate*" process – and that this was different to changing the vehicle the policy covered.

Mr V believed it was unfair that the insurance provider couldn't insure his new car and believed they could have made enquiries themselves to the DVLA to validate the information they required. He believed it was out of his control that the named driver's licence hadn't been sent to them. And so, he didn't think it was fair that he should have continued to pay for the insurance on a car he had already sold and when they couldn't insure the new car he had acquired.

As Mr V disagreed with the investigator's findings, the complaint was 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 this complaint and I'll explain why below.

Mr V complains about a running account credit facility to finance insurance premiums. Entering into regulated consumer credit contracts such as this as a lender is a regulated activity. So, I'm satisfied I can consider Mr V's complaint about FCIML.

It's worth noting that Mr V has made several complaint points – some of which are in relation to why his policy couldn't be amended to cover the new car he had acquired. My role is to consider whether FCIML have acted fairly and reasonably, as the provider of the credit to fund the insurance policy. Not to consider the actions of the insurer under this complaint.

And so I won't be making a finding on these matters as they should be direct towards the insurance provider.

It isn't in dispute here that Mr V didn't make a payment towards the agreement after the deposit and the first instalment was paid. I say this because the direct debit instruction to make payments was cancelled and Mr V says he didn't continue to pay as a change of vehicle couldn't be completed for the new car he had acquired. He had already sold his original car. So, what I need to consider here is whether FCIML treated Mr V fairly when they reported information to his credit file and for the charges they say he owed them.

FCIML gave Mr V a breakdown of the costs involved when they sent him a cancellation letter in July 2022. Among the costs were FCIML's charges for 75 days of cover, as well as admin; cancellation; and late payment charges. Any charges applied were offset against what Mr V had already paid up to the point the agreement was cancelled, meaning there was a remaining amount of around £260 left to pay.

It is unfortunate that call recordings Mr V has referred to that were held in June and July 2022 are no longer available. However, I have noted that FCIML have provided a brief overview of what was discussed in the call in their final response. And while Mr V says it is imperative that our service listens to the call recordings, it is worth noting that I don't dispute the version of events that Mr V said occurred during those calls. While that may be so, I don't think what was discussed and said during those calls absolves Mr V of his responsibilities under the agreement of making the payments FCIML have charged him.

I say this because, among other things, I have considered the terms and conditions of the credit agreement. The terms say:

"If you were to make a mid-term adjustment to an insurance policy, financed by this Agreement, which results in an additional Premium, this will result in a further draw down of credit. Interest will be payable on the amount you owe..."

Later in the agreement, the terms say:

"If you ask us to change the terms of this Agreement, we may charge you a reasonable fee. This fee will be payable by you whether or not we agree to your request."

In relation to the administration fee, FCIML explained that a change was needed to be made to the policy, and so to the credit agreement it's responsible for. Mr V doesn't think it is fair that he was charged a fee for something that couldn't be put in place by the insurer.

While I appreciate what Mr V says here, I don't think FCIML has acted unreasonably in charging an administration fee. The terms of the credit agreement are clear in stating that a fee is payable when a mid-term adjustment under the insurance policy is made, whether the adjustment request is accepted by the insurer or not. And, in any event, a change to the credit agreement was required as Mr V couldn't provide the additional information, which was requested, and more funds were therefore needed to pay for the insurance policy given its increase. In the circumstances, I don't think it was unreasonable that FCIML charged this amount given it was made clear in the terms, and this was the way Mr V had chosen to fund his insurance policy.

In relation to the late payment charge, the agreement under a section called "*Charges and Fees*", says:

(a) We'll charge you £15 if your agreement falls into arrears.

I'm satisfied this charge was applied correctly by FCIML as Mr V missed the June 2022 payment and FCIML notified Mr V it was missed.

I also think it is fair and reasonable that FCIML added the insurance policy cancellation fee to the credit agreement. The credit agreement does allow this as it is a running account credit facility to finance insurance premiums and the cost of any ancillary services, and this is the way Mr V chose to pay for the insurance.

I've now gone on to consider whether FCIML acted fairly in reporting the information they did to Mr V's credit file. FCIML explained they sent Mr V a default notice in October 2022. A default notice can be regarded as the last step before a relationship between a lender and consumer completely breaks down and an account is defaulted. In this case, Mr V had cancelled the direct debit instruction in June 2022, which resulted in a payment not being taken by FCIML. Further scheduled repayments were then subsequently missed, and information was reported to Mr V's credit file in November 2022.

It is important to consider the guidance in the '*Principles for the Reporting of Arrears, Arrangements and Defaults at Credit Reference Agencies*' from the Information Commissioner's Office (ICO). This states in relation to recording defaults:

"As a general guide, this may occur when you are 3 months in arrears, and normally by the time you are 6 months in arrears."

In this instance, a late payment marker was applied to Mr V's account around six months after the first missed payment. So, I don't think FCIML has acted unreasonably here.

My final decision

For the reasons I've explained, I don't uphold this complaint. So, I don't require First Central Insurance Management Limited to do anything more here.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr V to accept or reject my decision before 8 December 2025.

Ronesh Amin
Ombudsman