

The complaint

Mr W complains that his car insurance policy was voided by First Central Underwriting Limited ('First Central') because it thought the policy was fraudulently taken out through an unauthorised broker.

What happened

In April 2024, Mr W took out a car insurance policy underwritten by First Central. This policy commenced on 9 April 2024.

On 24 September 2024, First Central wrote to Mr W to say it intended to cancel his policy. Mr W spoke with First Central on 26 September 2024, and was told his policy was being cancelled because following routine checks, it found the policy had been taken out by an individual who was linked to the application of multiple policies. As such, First Central thought the policy had been taken out for Mr W by an unauthorised broker – commonly known as a 'ghost broker'.

First Central voided the policy on 27 September 2024 and Mr W complained about this. First Central provided a final response to this complaint, but it didn't uphold it saying the policy terms allowed it to void a policy taken out through an unauthorised intermediary or broker.

Our investigator didn't think First Central had acted fairly. He thought the evidence didn't show Mr W had tried to mislead First Central in any way, and thought Mr W had been the victim of a ghost broker. So, he thought First Central should have allowed Mr W the option to have cancelled the policy himself, and had it done so, Mr W likely would have decided to do this.

To put things right, the investigator recommended First Central update any records of the cancellation to show Mr W had cancelled the policy instead of First Central, remove any record of the cancellation from any external fraud databases, and pay Mr W £300 compensation for the distress and inconvenience caused.

First Central didn't agree. It said it thought there had been a deliberate attempt to try to favourably manipulate the premium and said that Mr W was involved in another policy for the same car which was taken out not long before this policy but cancelled after additional information about a named driver was provided during a validation check which caused the premium to increase significantly.

Because First Central didn't agree, the complaint was referred to me to decide. I issued a provisional decision not upholding the complaint, and I said:

"I don't think it's in dispute that the policy was taken out by an unregulated, unauthorised ghost broker. And I accept the policy terms allowed First Central to void the policy if it was bought via an unauthorised intermediary or broker.

But that doesn't necessarily mean it was fair for First Central to have recorded a voidance against Mr W – especially given the potential consequences, such as limiting the cover Mr W

can obtain in the future or increasing the premiums he may have to pay.

When policies are taken out through a ghost broker, it is not always with the consumer's knowledge that they are taking out insurance through an unauthorised third party. There are circumstances where a consumer didn't know or couldn't reasonably have known they were taking out a policy through a ghost broker. And in those circumstances, our approach is usually to say an insurer should give the consumer the opportunity to cancel the policy first.

So, I've considered if First Central has shown on balance that Mr W knew – or ought to have known – that something wasn't right when he took out his policy. Having reviewed the evidence, I think First Central has reasonably shown this. I'll now summarise the reasons why I think this:

- First Central has provided evidence to show a previous policy was taken out with for the same car. This policy started on 5 February 2024 and was taken out with Mr W's mother as the policyholder and a named driver included (who I'll call 'Ms W'). Mr W wasn't covered on this policy but was the authorised person on the policy.*
- First Central requested additional documents to validate this policy. And when these were provided, First Central increased the premium by around £2,000. According to First Central, this increase was largely because it had previously been disclosed Ms W had been resident in the UK since 2006, but the information provided from the validation checks showed she had only been resident since 2017.*
- After the premium increased on the previous policy, Mr W decided to cancel it because it was too expensive. First Central said this showed Mr W knew what the cost would be for a policy with the correct details, so he sought the help of an unauthorised broker for a financial gain. I can understand why First Central may have suspected that, since a new policy was taken out with First Central for the same car shortly after the previous policy was cancelled by Mr W due to the cost.*
- First Central said Mr W has been uncooperative in providing information about the broker he took the policy out with. I've listened to the recording of the conversation Mr W had with First Central when the policy was cancelled, and the information Mr W provided about how he took the policy out was quite limited. He said he was referred to a company and he was provided a location and first name of a person he met who arranged the cover for him. First Central said it wanted to try to obtain as much information as it could about the broker, and it would call Mr W back.*
- First Central then called Mr W back to ask for some more information. Mr W couldn't provide any more information about this broker during this call, such as a last name or phone number. But he said he would try to find out more. Mr W did say, though, that he hadn't paid anything to the broker. I haven't seen anything to show Mr W ever provided any more information about this broker.*
- Based on the limited information Mr W did share with First Central about the broker, I don't think there's enough for me to find Mr W didn't know, or reasonably couldn't have known something wasn't right with the way his policy was taken out. The context around how Mr W was introduced to this broker is vague, and there isn't enough information provided about this broker for me to find Mr W might reasonably have been led to think the broker he was dealing with was a genuine, authorised insurance broker.*
- Additionally, the Statement of Fact for the new policy taken out through the ghost*

broker again included Ms W as a named driver and recorded that she'd lived in the UK since 1 June 2006 – despite it having been established through the validation checks on the previous policy that this date was incorrect. So, I think Mr W could also have realised something wasn't right had he checked this Statement of Fact.

Although I appreciate this isn't the answer Mr W was hoping for, I don't find First Central acted unfairly by voiding the policy. This is because the terms of the policy allowed First Central to void the policy if an unauthorised broker was used. And for the reasons I've set out above, I'm not persuaded Mr W didn't know, or couldn't have known, something wasn't right about the way his policy was taken out.

As a result, I don't intend to uphold this complaint or require First Central to do anything more."

First Central replied to say it accepted my provisional decision. Mr W replied to say the following:

- First Central didn't increase his premium to £2,000. It just outright cancelled his policy.
- He didn't know that First Central were the insurer, and had he known, he wouldn't have taken out the cover due a previous bad experience with this insurer.
- The man he met who took the policy out for him told him that he knew an authorised broker who could take out insurance for his car immediately.

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.

I've considered Mr W's response to my provisional decision, but I've reached the same conclusion as I did in my provisional decision.

I don't dispute that First Central didn't increase the premium on Mr W's policy to £2,000. In my provisional decision, I was referring there to the earlier policy which was taken out for same car in which Mr W's mother was the policy holder, Ms W was a named driver, and Mr W wasn't covered on the policy but was set up as an authorised person on it.

I acknowledge Mr W's comments that he wouldn't have chosen to take another policy out with First Central. But I don't think that affects whether it was fair and reasonable for First Central to have voided this policy. A policy was taken out in Mr W's name by a person Mr W had appointed to take cover out on his behalf, the cover was set up by First Central, and Mr W was issued with the policy documents. Whether or not Mr W would have chosen to take cover out with First Central had he taken out the cover himself does not alter First Central's right under the policy terms to void the policy if an unauthorised broker was used to take the policy out.

I've considered Mr W's further comments about the person he met saying they knew an authorised broker who would take cover out for him. But I still think the circumstances around who this person was and how Mr W came into contact with them are vague and unusual. Ultimately, Mr W met a stranger who he has provided limited information about and nothing which I think shows there were reasonable grounds for someone to have thought this person was a legitimate insurance broker or representative of one.

So, for these reasons, and for those set out in my provisional decision, I still think Mr W could reasonably have been aware something wasn't right about the way his insurance was taken out. And as a result, I still don't think it was unfair for First Central to have voided the policy once it transpired it had been taken out by a ghost broker.

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 W to accept or reject my decision before 18 June 2025.

Daniel Tinkler
Ombudsman