

The complaint

Mr H complains about First Central Underwriting Limited (First Central) cancelling his motor insurance policy.

Any reference to First Central in this decision includes their agents.

What happened

In May 2024 Mr H took out a motor insurance policy with First Central, which he did through a price comparison website. He set up a monthly payment schedule for the policy and an online account. Through which he received policy documents.

However, after a couple of months, First Central contacted Mr H to say his policy had been linked to multiple motor insurance applications and could have been taken out by an unauthorised third party through the comparison website. First Central said they viewed this as a potential misrepresentation by Mr H and gave notice of the cancellation of the policy. The cancellation was made in June 2024 and took effect from the date the policy began the previous month, and they would refund any payments Mr H had made under the policy. A cancellation marker was applied to Mr H's insurance record.

Following the cancellation of his policy, Mr H took out a policy with another insurer.

Mr H challenged the cancellation of his policy, raising his concerns with First Central. They maintained their cancellation of the policy, so Mr H complained.

First Central didn't uphold the complaint. In their final response, issued in July 2024, they referred to their view the policy was taken out through the comparison website by an unauthorised third party and was linked to multiple motor insurance applications. They had used interactive online technology that showed the policy showed incorrect or inconsistent details. They maintained they'd followed their process (to cancel the policy) correctly and they wouldn't be changing their decision..

Mr H then complained to this Service. He strongly disagreed with First Central's cancellation of his policy, saying he had proof he'd taken out the policy through the comparison website and First Central's website and paid for the policy. The cancellation of his policy would adversely affect his insurance history. He was also unhappy First Central didn't contact him immediately after he'd taken out the policy, rather than waiting for two months.

Our investigator upheld the complaint, concluding First Central hadn't acted fairly. On Mr H's issue about First Central not contacting him at the time the policy was taken out, the investigator thought the timing wasn't unusual and an insurer could decide to validate a policy at any point during the policy term. She noted Mr H had discussed the notice of cancellation issued by First Central, so he had been given notice of the cancellation. First Central had provided evidence to show the policy was linked to multiple motor insurance applications, which is why First Central were concerned the policy appeared to have been taken out by an unauthorised third party ('ghost broking'). The investigator thought First Central's concerns were understandable and justified their decision to cancel the policy.

While accepting First Central's justification for giving notice of the cancellation of Mr H's policy, the investigator noted the approach of this Service in such circumstances would be that the insurer should give the policyholder the opportunity to cancel the policy themselves, so there wouldn't be any adverse consequences when taking out insurance in future. Having a cancellation marker applied by the insurer would impact their ability to obtain insurance elsewhere at a competitive price. So, the investigator concluded First Central should have given Mr H the option to cancel the policy himself.

To put things right, the investigator thought First Central should record the cancellation as though it had been effected by Mr H and update any internal or external databases to indicate the policy wasn't cancelled by First Central. They should also remove any negative markers associated with the cancellation from external databases, if relevant. First Central should also pay the £148.53 difference in premium Mr H paid for his new policy compared to his policy with First Central, due to the cancellation, with interest and £150 compensation for the distress and inconvenience to Mr H.

First Central disagreed with the investigator's view and requested that an ombudsman review the complaint. They said they didn't take a blanket approach to these kind of cases but reviewed them on an individual basis, with cases where a policy had been flagged as being set up by a ghost broker categorised into either amber or red. In Mr H's case, the latter was flagged. They discussed the circumstances of the policy inception with Mr H and decided to cancel the policy. Mr H had maintained he took out the policy himself online on his phone, but the evidence available to First Central indicated this wasn't correct. It wasn't fair or reasonable for Mr H to have engaged in the services of a broker or to expect them to keep policies on their books they knew had been incepted fraudulently. So, it was fair to remove the policy from their books and decline cover.

In my findings I concluded it wasn't unreasonable for First Central to seek to cancel the policy given their concerns about multiple applications and links to other policies. And they considered the evidence before reaching their decision. However, I also thought First Central should have given the option of Mr H cancelling the policy himself. While it was unclear whether, even had the option been offered, Mr H would have cancelled the policy himself, I think he should at least have been provided with the option to do so. So, I concluded First Central didn't act fairly towards Mr H in this respect.

As Mr H wasn't given the option to cancel the policy, I thought First Central should record the cancellation as if it had been cancelled by Mr H, including on any external databases. This would still mean the policy remained cancelled, so First Central wouldn't have the policy on their books and so wouldn't be providing cover. That is, the policy would remain cancelled from its inception – only its recording would be different.

I also thought First Central should confirm to Mr H that the policy was cancelled in error by them. Taken together with removal of the policy being cancelled on external databases, this would enable Mr H to ask his new insurer to recalculate the premium he paid for his new policy and – should it result in a reduction in the premium paid on inception of the new policy – he could ask for a refund of premium. I also thought First Central should pay Mr H £150 compensation for distress and inconvenience.

As I reached slightly different conclusions from those of our investigator, I issued a provisional decision to give both parties the opportunity to consider matters further. This is set out below.

What I've provisionally decided – and why

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

My role here is to decide whether First Central have acted fairly towards Mr H.

The key issue in Mr H's complaint is whether First Central acted fairly and reasonably in cancelling his policy, following their concerns about the way the policy was taken out and the evidence it was linked to multiple motor insurance policy applications. Mr H says he took out the policy through a comparison website and First Central, making payment for the policy and setting up an online account and receiving policy documents.

In considering the case, I've looked carefully at the evidence and information provided by Mr H and by First Central. In particular, the detailed evidence provided by First Central they say supports their view, including Mr H obtaining multiple quotes for motor insurance showing differences in a range of information compared to the policy he took out. First Central have also provided details of links to multiple other policies taken out. Having reviewed the evidence, I've concluded it wasn't unreasonable for First Central to decide to cancel the policy and give the relevant seven days' notice of cancellation the policy terms required them to provide Mr H.

Having issued a notice of cancellation, I've listened to the call between Mr H and First Central, in which First Central confirm their intention to cancel the policy. The call handler asks Mr H for how he took out the policy, whether anyone helped him (to which he says 'no'), the means through which he took out the policy (Mr H says by phone) and the location from which he took out the policy. The call handler refers to multiple applications and links to an unauthorised third party (broker). The call handler confirms the policy will be cancelled and the relevant documents explaining the cancellation will be emailed to Mr H.

Taking all the evidence and information together, including the detailed information provided by First Central, I've concluded it wasn't unreasonable for them to seek to cancel the policy given their concerns about multiple applications and links to other policies. And they considered the evidence before reaching their decision.

However, given what Mr H has told us about his taking out the policy and the reasons for doing so (a more competitive quote from First Central compared to his previous insurer) I would have expected First Central to have given the option of Mr H cancelling the policy himself. There's no indication from any of the information provided by First Central (or Mr H) that First Central considered this option and the call between Mr H and First Central makes no reference to this option – the call handler reads out standard information and simply confirms to Mr H that the policy will be cancelled (and that he needs to obtain cover elsewhere to meet the legal requirement to have insurance). While it's unclear whether, even had the option for Mr H been offered, Mr H would have cancelled the policy himself, I think he should at least have been provided with the option to do so.

So, I've concluded First Central didn't act fairly towards Mr H in this respect.

Having reached this conclusion, I've considered what First Central should do to put things right.

As Mr H wasn't given the option to cancel the policy, then I think it's fair and reasonable for First Central to record the cancellation as if it had been cancelled by Mr H, including on any external databases that otherwise would include a negative marker from the cancellation by First Central. This would still mean the policy remained cancelled, so First Central wouldn't have the policy on their books (a concern expressed when responding to our investigator's

view) and so wouldn't be providing cover. That is, the policy would remain cancelled from its inception – only its recording would be different.

First Central should also confirm to Mr H that the policy was cancelled in error by them. Taken together with removal of the policy being cancelled on external databases, this would enable Mr H to ask his new insurer to recalculate the premium he paid for his new policy and – should it result in a reduction in the premium paid on inception of the new policy – enable him to ask for a refund of premium.

I've also considered the impact of what has happened on Mr H, meaning he had to arrange alternative cover at short notice to ensure his vehicle continued to be covered and so met the legal requirement for vehicles to have insurance. Taking account of the circumstances of the case and the guidelines on awards for distress and inconvenience published by this Service, I think £150 compensation for distress and inconvenience would be fair and reasonable.

My provisional decision

For the reasons set out above, my provisional decision is that I uphold Mr H's complaint. I intend to require First Central Underwriting Limited to:

- Record the cancellation as if it had been cancelled by Mr H, including on any external databases that otherwise would include a negative marker from the cancellation by First Central.
- Confirm to Mr H that the policy was cancelled in error by them. Taken together with removal of the policy being cancelled on external databases, this would enable Mr H to ask his new insurer to recalculate the premium he paid for his new policy and – should it result in a reduction in the premium paid on inception of the new policy – enable him to ask for a refund of premium.
- Pay Mr H £150 in compensation for distress and inconvenience.

First Central Underwriting Limited must pay the compensation within 28 days of the date we tell them Mr H accepts my final decision. If they pay later than this they must also pay interest on the compensation from the date of my final decision to the date of payment at 8% a year simple.

Mr H responded to accept the provisional decision.

First Central responded to say they did not agree with the provisional decision. They reiterated that Mr H's policy was flagged as red for ghost broking concerns and that it was incorrect for Mr H to say he took out the policy himself online on his phone, given the evidence they had. So, they'd acted correctly in cancelling the policy. And they shouldn't be expected to keep policies on their book of business which were incepted fraudulently (or pay compensation where customers had acted fraudulently). Nor did they agree with the policy being recorded as cancelled by Mr H, including on external databases, as this would enable him (or any customer in the same circumstances) to take out insurance with no record of the concerns about fraud.

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.

My role here is to decide whether First Central have acted fairly towards Mr H.

On the points made by First Central, they are similar to those they made in response to our

investigator's view, which I considered when reaching my findings and conclusions as I set out in my provisional decision. I agree it was reasonable for First Central to cancel Mr H's policy, meaning they didn't have to keep the policy on their book of business. The key difference between my findings and conclusions and the points raised by First Central is on the treatment and recording of the cancellation, and my conclusion he should have been given the opportunity to cancel the policy. Having considered the points made by First Central, I haven't changed my view on this, so my findings, conclusions and what I think First Central should do to put things right remain as set out in my provisional decision.

My final decision

For the reasons set out above, my final decision is that I uphold Mr H's complaint. I require First Central Underwriting Limited to:

- Record the cancellation as if it had been cancelled by Mr H, including on any external databases that otherwise would include a negative marker from the cancellation by First Central.
- Confirm to Mr H that the policy was cancelled in error by them. Taken together with removal of the policy being cancelled on external databases, this would enable Mr H to ask his new insurer to recalculate the premium he paid for his new policy and – should it result in a reduction in the premium paid on inception of the new policy – enable him to ask for a refund of premium.
- Pay Mr H £150 in compensation for distress and inconvenience.

First Central Underwriting Limited must pay the compensation within 28 days of the date we tell them Mr H accepts my final decision. If they pay later than this they must also pay interest on the compensation from the date of my final decision to the date of payment at 8% a year simple.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H to accept or reject my decision before 7 July 2025.

Paul King
Ombudsman