

The complaint

Mr V has complained that First Central Underwriting Limited (First Central) unfairly said he'd made a misrepresentation when taking out his motor insurance policy and charged him an additional premium as a result. As Mr V didn't pay the additional premium this led to the policy cancellation.

What happened

In early July 2024 Mr V was looking for a motor insurance policy using comparison websites. These generated a number of quotes from First Central. Mr V accepted one of those quotes with an annual premium of around £282.

First Central set up the policy. It later told Mr V that he hadn't declared a driving offence known as an SP50 when he applied for the policy. It said that as a result it would charge him an additional premium of over £195 (inclusive of the administrator's £50 charge for making the change).

Mr V wasn't happy to pay the additional premium and complained. He said he had declared the SP50 when applying for the policy. First Central said that if Mr V didn't want to pay the additional premium, the policy would be cancelled. While Mr V didn't want that to happen, First Central cancelled the policy and charged Mr V for the time the insurance cover was in place. It recorded the cancellation as being at Mr V's request.

Mr V brought his complaint to the Financial Ombudsman Service. One of our Investigators looked into it. He didn't think First Central had treated Mr V unfairly. As Mr V disagreed with our Investigator's assessment of the complaint it was passed to me to determine.

After reviewing the file I asked our Investigator to request that First Central provide further explanations and evidence concerning the additional premium it had charged Mr V. Despite extending the deadline for a response, First Central didn't provide the requested information.

Provisional decision

On 27 May 2025 I issued a provisional decision. I've included the relevant extracts below. I said:

"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, based on the information currently held, I don't think First Central has done enough to justify the level of the additional premium it charged Mr V. As such I'm currently minded to partly uphold the complaint. But I must add a note of caution. If, in response to this provisional decision, First Central supplies an adequate explanation for the manner in which it calculated Mr V's additional premium, I may revisit my finding on this point. If I do so I will issue another provisional decision and give the parties the opportunity to comment upon it.

When arriving at my provisional conclusion I've considered everything on file including all of the comments Mr V sent to us in response to our Investigator's complaint assessment. But, in this provisional decision I don't intend to comment on each and every issue raised. Instead I will focus on what I see as being the key issues and the reasons for my provisional decision.

Why I'm provisionally minded to partly uphold this complaint

Where a consumer has made a mistake or given inaccurate information when applying for a policy it's known in the insurance industry as a misrepresentation. And there's specific legislation – the Consumer Insurance (Disclosure and Representations) Act 2012 (CIDRA) – which sets out what insurers may do in such a situation. It says that insurers may:

- cancel the policy; or*
- tell the consumer that it will settle any future claims on a proportionate basis (or apply other exclusions or limitations it would otherwise have applied). But if the consumer isn't happy with that approach, we think it's fair that they can cancel the policy themselves; so that the cancellation will not have an adverse affect on the consumer's insurance history.*

CIDRA doesn't allow the insurer to simply impose an additional premium. But we think it's reasonable for an insurer to explain to the consumer that there's a problem and give them the option of paying the additional premium in order to keep the policy going or otherwise to cancel the policy themselves without any penalty.

In this case First Central initially wanted to charge an additional premium of £145 (plus the broker's £50 admin fee). But because Mr V didn't want to pay that it recorded the policy as cancelled at Mr V's request.

I noted that some of the quotes First Central sent to Mr V, which included the SP50, appeared to be for similar sums to the price he eventually paid. So I asked First Central for further evidence and explanation for how it had calculated the additional premium of £145 and how that differed from the other quotes provided including the SP50. First Central didn't provide any response to my request. As such I'm not satisfied that the level of additional premium it asked Mr V to pay was fair and reasonable. So, unless it provides that information in response to this provisional decision I will partly uphold this complaint.

For completeness I'll briefly say I'm aware Mr V is adamant that he didn't make a misrepresentation. However, I've seen the data that migrated from the comparison websites to First Central's system when it was providing quotes. This data is in the form of a Quote History Report (QHR). This is not a copy of the screens from the comparison sites showing Mr V's answers to the online questions. So, it doesn't take the form of 'screen shots' showing exactly what Mr V keyed in order to produce the quotes. Instead it's in the form of a table of data which essentially shows how the comparison sites recorded Mr V's answers in a data form. So, it's not in an easy format to share or analyse. And the columns within the table don't say what the questions asked were but give general headings such as conviction code, penalty points, and penalty date.

From this QHR it's apparent that, when asking for quotes on 2 and 3 July 2024, on a number of occasions Mr V did include the SP50 information. Although he didn't always give the same date. In some he gave the date as being in March 2022 and in others June 2022. But the SP50 information isn't included in every quote. Crucially, in the quote he accepted,

according to the QHR, that didn't include the SP50 details. So it wasn't factored into the premium offered.

I accept Mr V's evidence that he had no intention of making a misrepresentation. In fact as I've already said he still doesn't believe that he gave inaccurate or incomplete information. So he's certain he didn't make a misrepresentation at all. But from the evidence I've seen I'm satisfied that the SP50 information wasn't included in the relevant quote when it pulled through to First Central's system. And in those circumstances, if First Central had gone about things in a reasonable manner then I agree it might have been fair for it to ask Mr V to pay an additional premium. But, as First Central has not provided adequate evidence or rationale to explain how it calculated the additional premium in Mr V's case, as things stand, I'm not satisfied that the additional premium it charged Mr V was fair."

Developments

Mr V welcomed my provisional decision. He also referred me to an email he'd sent to First Central's CEO in September 2024 and forwarded to us, as he wasn't clear whether or not I had considered that communication when arriving at my provisional decision.

First Central also replied. It didn't agree with my provisional decision. Neither did it address the specific questions I had put to it or provide the evidence I asked for prior to issuing my provisional decision. Instead it referred to information from the QHR which it said showed that the presence of the SP50 led to significantly higher premiums for certain quotes.

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.

Turning first to Mr V's comments on my provisional decision. I can confirm that I had considered the emails he referred to when coming to my provisional findings. But I didn't think I needed to comment on those specifically to explain the reasons for my provisional conclusions.

By way of brief explanation Mr V emails referred to quotes he'd run where he had disclosed the SP50 after First Central had asked him to pay the additional premium. The quotes were all for a similar sum to the premium First Central had originally charged him, without the SP50 being factored in. Mr V believed these prove that First Central was deliberately manipulating figures for financial gain. However, while I can understand Mr V's point of view, I disagree that this is evidence of First Central deliberately manipulating the system for financial gain.

When calculating premiums insurers like First Central consider many factors. The risk they attribute to those factors, which affects the premium offered, often change daily – in fact some may alter more frequently. And given the later quotes Mr V ran happened sometime after he bought his initial policy, First Central's risk rating factors could have changed within that period. So, again, I don't think this is evidence that First Central was deliberately manipulating data for financial gain.

Similarly, Mr V commented that the CEO had not responded directly to his concerns, which he interpreted as an indication of "*guilt, and the attitude of someone who is trying to hide from the truth*". But I don't agree with Mr V on that point.

CEOs are generally extremely busy individuals who will be concerned with, amongst other things, the overall strategy, performance and profitability of their business. So it's rare for

them to become involved with or respond to individual complaints. Some firms will send an acknowledgement and may draft a final response on behalf of the CEO's office. But, in reality, it's common for the consumer's concerns to be dealt with by a customer service representative or complaints team without the CEO having direct input into a response. So I don't think the fact the CEO didn't respond to Mr V is an indication of guilt. That's simply the way many businesses operate.

When disagreeing with my provisional decision First Central referred to evidence from its QHR report. It said that showed, for some of the many quotes Mr V had requested, it would have charged a higher premium when the SP50 was declared. While I agree that's the case, that is not the information I asked First Central to provide in order to justify the additional premium it charged Mr V.

In particular, we provided First Central with references to four quotes it had given to Mr V on 2 July 2024, once he'd declared the SP50, which were either less than or slightly higher than the premium he initially paid. I asked First Central to explain (and provide the appropriate evidence), why those quotes were not reflective of the £145 additional premium it had actually charged Mr V

First Central has not answered that enquiry, nor has it addressed, head on, most of the other points we asked it to. In those circumstances First Central has not provided adequate evidence or rationale to explain how it calculated the additional premium in Mr V's case. Given that, it follows that I'm not satisfied the additional premium it charged Mr V was fair and reasonable.

Putting things right

If First Central had not charged Mr V an unfair additional premium it's likely the policy would have remained in place. Mr V would then not have been put to the trouble of having to find a replacement policy because he wouldn't have needed to.

Also Mr V is convinced that the additional premium was not justified to the point that he believed First Central had been deliberately dishonest. I've seen no evidence, beyond Mr V's comments, that persuades me that's the case. But it appears this matter has been a source of great frustration and exasperation for him.

Further, it's clear from Mr V's correspondence with both First Central and the Financial Ombudsman Service, that he's found handling the matter distressing. This has been ongoing for some time and the delays have been extended because First Central did not respond to my questions. So, to fairly recognise Mr V's frustration and exasperation over a prolonged period, I'm directing First Central to pay Mr V £300 compensation for his distress and inconvenience.

As I've said above if First Central had acted reasonably I think the policy would have remained in place. So if Mr V has had to pay any administration fees for amending the policy or cancelling it, even if those charges were applied by a broker, then I think it's fair that First Central refunds those fees to him.

Also, if Mr V had to pay more for a replacement policy than the premium he paid to First Central it should pay him the difference in cost between the First Central policy and its replacement. Any refund will be dependent on the policies having similar levels of cover. First Central should add interest to any sums refunded. It should calculate the interest from

the date Mr V had to pay the fees and/or the premium to his new insurer up to the date it refunds him. The rate of interest is 8% simple a year¹.

My final decision

For the reasons given above I uphold this complaint. I require First Central Underwriting Limited to take the steps set out above.

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

Joe Scott
Ombudsman

¹ If First Central pays interest and considers that it is required by HM Revenue & Customs to take off income tax from that interest, it should tell Mr V how much it has taken off. It should also give Mr V a certificate showing this if he asks for one, so he can reclaim the tax from HM Revenue & Customs if appropriate.