

The complaint

Mr S complains that First Central Underwriting Limited ("First Central") mishandled a claim on his motor insurance policy.

What happened

The subject matter of the insurance, the claim and the complaint is a car, first registered in 2015.

Mr S acquired the car in March 2022. He insured it on a comprehensive policy with First Central for the year from 17 March 2022. The policy documents said that he had zero years no-claims discount ("NCD").

Mr S reported that in September 2022, a third party had accidentally damaged the front nearside of the car.

Mr S at first used an accident management company ("AMC").

By 12 October 2022, Mr S was pursuing a claim to First Central.

On about 29 November 2022, First Central settled Mr S's claim by paying about £4,000.00 in lieu of repairs.

On about 15 December 2022, the third party's insurer admitted liability for the accident.

In March 2023, First Central told Mr S that he had zero years NCD.

By 19 March 2025, Mr S had complained to First Central that the claim was still open, with serious consequences for Mr S.

By a final response dated 11 April 2025, First Central apologised for delay and said it was sending Mr S £200.00 compensation for distress and inconvenience.

Mr S brought his complaint to us in mid-April 2025. He asked us to direct First Central to pay him compensation for increased premiums, loss of earnings and distress.

Our investigator recommended that the complaint should be upheld in part. She thought that the third party or its insurer had admitted liability and sent a payment for the outlay. So she thought it would be unfair to cause any further detriment to Mr S. She recommended that First Central should:

1. pay Mr S a further £200.00 compensation, bringing the total compensation to £400.00; and
2. record the claim as non-fault and make the required amendments to any external databases; and
3. re-instate Mr S's NCD; and

4. issue Mr S a letter advising the above changes have been completed, so he can present this to his current insurers and have the policy re-rated.

Mr S disagreed with the investigator's opinion in part. He asked for an ombudsman to review the complaint. He says, in summary, that the compensation is not enough.

First Central disagreed with the investigator's opinion in part. It says, in summary, that it is still waiting for the third party to reimburse its outlay, so it is unable to close the claim as non-fault and reinstate NCD.

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.

Different insurers assess risk and set premiums in different ways at different times. That said, insurers mostly regard any claim (and more so a fault claim) as increasing the risk of a further claim and requiring a higher premium.

Where an insurer has made an outlay on a claim, it's common practice for that insurer to record a fault claim against its policyholder unless and until it recovers its outlay in full, typically from a liable third party's insurer.

An insurer may agree to split liability with another insurer (e.g. 50/50). In that case each insurer will recover some but not all of its outlay.

I've noted that when he took out the policy, Mr S said that he was employed in a role in health and social care.

I find First Central responsible for not progressing the claim as efficiently as it should have. Having settled the claim in November 2022, First Central didn't put together accurate details of its outlay until March 2024. And it made no progress from then until October 2024 when it finally sent details of its outlay to the third party's insurer.

Unexpectedly, the third party's insurer said that it had - as long ago as 18 October 2022 - paid the AMC for the cost of repairs.

I consider that the circumstances of this case are an unusual combination:

- The AMC provided credit hire in 2022
- First Central paid cash in lieu of repairs in 2022
- the third party's insurer admitted liability in 2022
- First Central didn't provide details of its outlay to the third party insurer until 2024
- The third party's insurer said it had paid the AMC for the cost of repairs in 2022.

In those unusual circumstances, I don't find it a fair outcome for Mr S to have to continue to suffer detriment from the recording of an open claim or a fault claim against him.

Putting things right

So notwithstanding that First Central hasn't recovered its outlay, I find it fair and reasonable to direct it to treat and to record the claim as not an open claim or a fault claim against Mr S including on external databases to which it has provided information about the claim.

In addition I find it fair and reasonable to direct First Central to write a letter to Mr S (which he may show to current or future insurers) saying that it has treated and recorded the claim as not an open claim or a fault claim against him.

I haven't seen enough detail of Mr S's vehicle ownership, insurance or employment from March 2023 when First Central's policy expired. Mr S hasn't responded to the investigator's request for evidence that he had to sell his car, lost his job and was out of work for a year. So I don't find it fair and reasonable to direct First Central to pay compensation for increased cost of insurance or for loss of earnings.

I accept that First Central's delay has caused Mr S extra distress and inconvenience at an already difficult time for him. That has gone on for many months and there has been no end in sight. Mr S's frustration has sometimes got the better of him.

First Central tried to put things right with its payment of £200.00. However I don't consider that this was enough to be fair and in line with our published guidelines for compensation for distress and inconvenience. I conclude that a total of £400.00 is fair.

My final decision

For the reasons I've explained, my final decision is that I uphold this complaint in part. I direct First Central Underwriting Limited to:

1. treat and to record the claim as not an open claim or a fault claim against Mr S including:
 - 1.1 on external databases to which it has provided information about the claim; and
 - 1.2 not affecting his NCD; and
2. write a letter to Mr S confirming that it has taken the steps set out in the preceding paragraph 1; and
3. pay Mr S, in addition to its payment of £200.00, a further £200.00 making a total of £400.00 for distress and inconvenience.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 22 October 2025.

Christopher Gilbert
Ombudsman