

The complaint

Miss R complained to us that First Central Insurance Management Limited didn't detect that a motor insurance policy was taken out in her name without her knowledge, and that it provided poor service in general.

What happened

Miss R found out about the policy when a default marker showing a missed payment for it appeared on her credit record. Miss R then found that a family member had started the policy. She agreed to pay the debt off in instalments whilst the situation was investigated.

First Central said the marker was applied correctly. It said it had relied on the information provided by her family member in good faith, and that the routine checks done after the policy started didn't flag up potential fraud. It accepted that it didn't follow through promptly on a data subject access request ('SAR') requested by Miss R, and that it hadn't called her back when calls were dropped. And it apologised for telling her the marker on her credit file was due to a missed direct debit payment for the policy.

As Miss R wasn't satisfied with First Central's response, she contacted us, and one of our Investigators reviewed her complaint. He noted that First Central had asked for further information shortly after the policy started (including the driving licences of those insured on the policy, plus DVLA check codes). After most of that was provided, it said there was an extra premium to pay (over £2,000). As it wasn't paid, the policy was cancelled on its original terms, leaving £1,397 to pay. The Investigator thought First Central had done enough to validate the policy. He said it wasn't unusual for a named driver to manage a policy on behalf of a policy holder. In his view, there were no indicators that anything was wrong. And he thought First Central's offer to deduct £125 for its errors from the sum owed was reasonable.

Miss R said there were red flags pointing to an issue with the policy (such as it being paid for by someone other than her) and that the description of the balance owed implied that she'd defaulted on a credit agreement. She also said First Central had taken an extra £3 from her in repayments, hadn't issued a repayment document and had failed to advise her of the closure of the file once she had fully paid the sum owed. She said she wanted the credit marker removed, confirmation of the closure of First Central's debt file, and compensation for the distress caused by its poor service, plus the damage to her credit record.

As there was no agreement, the complaint was passed to me for review.

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 read all the information on the file, but I don't intend to comment on every point made by the parties. Instead I'll concentrate on what I think are the main issues.

As the car was owned by Miss R and she was its registered keeper, she had a duty to

ensure that it was insured. It isn't clear why she didn't insure it herself, or who she thought had arranged for it to be insured. When we asked her about that, Miss R didn't respond.

In my opinion, the root cause of the upset caused to Miss R is that a policy and a credit agreement were taken out in her name by someone else. He deceived Miss R and First Central. And when he was told that an extra premium was required, he still didn't tell Miss R what the situation was. At that stage the issue could have been resolved without a debt being recorded on her credit file.

I think First Central carried out sufficient validation checks, which caused it to ask for more information. I think being provided on request with details of all the drivers on the policy, plus DVLA codes, gave First Central good reason to believe it was dealing with the policy holder, or someone acting on her behalf, with access to her personal details and those of the five named drivers. A policy holder doesn't have to pay the policy premium themselves, and I think it was reasonable for First Central to use the contact details it had been given.

In terms of poor service, I think First Central acted reasonably by accepting that it had made an error with the SAR, that it should have made follow up calls, and that Miss R was given incorrect advice verbally about the credit marker being based on a missed direct debit payment. I understand why Miss R was further distressed by this limited poor service, but I think £125 was sufficient to compensate her for it.

Miss R said other issues remained unresolved, especially the lack of confirmation that the debt was paid off / the file closed and the £3 overpayment. She said the latter showed that First Central operates a poor internal reconciliation process and failed to monitor the repayments properly. I can see why Miss R wanted confirmation that the debt had been cleared and was unhappy with the small overpayment. But the case closure and the final payment took place after First Central's final response letter was issued, so they weren't part of Miss R's initial complaint. It has to be given the chance to address these concerns.

First Central said in its response to Miss R's complaint that it had added the missed payment marker to her credit file correctly. Miss R says it suggests that she defaulted on a credit agreement. Although I think it's open to First Central to remove the marker (as a gesture of good will) I don't think it was wrong for it to add it to the file. The credit agreement was taken out in Miss R's name, and the debt recorded by First Central was the sum remaining on the credit agreement, so it was a default on that agreement in her name. I'm not persuaded that it was wrong – or makes a difference – that it was described as a missed payment.

I think Miss R was shocked and upset to discover what had happened with the policy and the credit agreement, and she acted responsibly in arranging to pay the debt due as soon as she was aware of it. But I don't think First Central can be blamed for Miss R's distress and inconvenience. As I don't think it acted unreasonably, I can't uphold her complaint.

My final decision

My final decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss R to accept or reject my decision before 29 December 2025.

Susan Ewins
Ombudsman