DRN-5733763

The complaint

Mr M complains about First Central Underwriting Limited's actions after he told it about an accident involving his car.

Reference to First Central includes claims handlers who've acted for it.

What happened

Mr M insured his car with First Central. In September 2024, while Mr M was standing next to it, the car rolled off his drive and damaged his neighbour's property. Mr M's son was in the car at the time. Although Mr M wasn't in the car, the accident caused him to suffer a serious head injury. He was in hospital for some days after the incident and continues to suffer long term effects from his injuries.

Mr M arranged for a scrap dealer to dispose of his car. He also cancelled his policy.

In November 2024, after receiving a letter from solicitors acting for Mr M's neighbour, First Central contacted Mr M. It asked him for details of the incident. Mr M told it that he'd been injured in the accident and had very little memory of events. He asked First Central to speak to his wife who had better recall. At that time Mr M told First Central that he didn't want to claim for the damage to his own car as he was concerned he would incriminate his son.

First Central initially told Mr M that he would need to report the matter to the police as a theft. However, it later acknowledged that was a mistake.

On 25 November 2024 Mr M told First Central he would like to claim for the loss of his own car. First Central said it wouldn't cover the claim as he'd scrapped the car and cancelled his policy without notifying First Central of the incident or making a claim.

Mr M complained. In response First Central maintained its position that it would not pay Mr M's claim. But it accepted that it hadn't got everything right. It apologised that it had misinterpreted the detail about how the accident happened, prompting it to advise Mr M that he needed to report the matter as a theft. It also acknowledged that it hadn't explored how Mr M's injuries had affected him and so hadn't made suitable adjustments for that in its communication. To address this it paid Mr M £400 compensation.

Mr M remained unhappy and brought his complaint to the Financial Ombudsman Service. One of our Investigators looked into it. She didn't think First Central had dealt with Mr M fairly. She said it should pay him further compensation of £200. She also said that it should settle Mr M's claim for the loss of his car by paying its market value less an amount for its salvage and any policy excess.

First Central didn't accept our Investigator's assessment of the complaint so the matter's been passed to me to decide.

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.

In bringing this complaint Mr M has made a number of detailed points. I've considered everything on file. But in this decision I don't intend to address each and every issue raised. Instead I will focus on the outstanding points following our Investigator's complaint assessment.

Mishandling the claim

First Central has accepted that it initially noted down the circumstances of the claim incorrectly. As a result it told Mr M that he would have to report his son (who is a minor) to the police for stealing his car. It later acknowledged that this advice was incorrect and apologised. However, I don't think that went far enough.

Mr M had told First Central at the outset that he had suffered a serious head injury that was causing him ongoing problems with memory and other things. He'd also told First Central that he didn't initially want to claim because he didn't want to incriminate his son or to make an already stressful situation worse for him. But because of a misunderstanding about how the accident happened, that was what First Central was essentially instructing Mr M to do. And First Central's mistake in categorising the incident as a theft led to delays and Mr M had to contact it on a number of occasions to try to sort things out.

I appreciate that this caused Mr M significant distress at what was already a difficult period while he was attempting to recover from his injuries. And I don't think the apology or compensation First Central has already paid reasonably recognises this. So, to put things right I think it should pay him a further £200 compensation. I think that's a fair sum, on top of the compensation First Central has already paid, as it recognises the additional stress this would have caused Mr M at a time when he was already vulnerable owing to the effects of his injuries.

Lack of clarity and support

Mr M said that First Central didn't give him enough support or information about the impact of scrapping his vehicle. But I think Mr M is mistaken on this point. The evidence on file is that Mr M made the decision to scrap the car without telling First Central about the incident. And when he initially spoke to it about what happened, he said he didn't want to claim. There's no evidence he asked First Central at those points for any support or advice about the effects of scrapping his car. So I don't think First Central did anything wrong in that respect.

Failure to Recognise Vulnerability and Inconsistent and Inadequate Communication

In response to Mr M's complaint First Central accepted that it hadn't explored fully how Mr M's injuries were affecting him. So it hadn't made appropriate adjustments to its communications with him. To recognise the impact of that it paid him £400. I think that was fair compensation for the impact on Mr M here, as it appropriately recognises the considerable distress, worry and significant inconvenience to him at what was clearly already a very difficult and distressing time for him.

First Central's decision to refuse Mr M's claim

Mr M's policy requires him to report any driving incidents or accidents within 48 hours, regardless of whether or not he wanted to make a claim. But in this case Mr M was still in hospital 48 hours after the accident and First Central has recognised that advising it about the incident was clearly not a priority for him at a time when he was so unwell.

First Central has also said that it would allow 28 days' grace to make the claim, meaning that a claim must be made within 30 days. If not the policy says that its conditions would have been breached and that allows First Central to decline the claim. And that's what it's done here. But, in the specific circumstances of this case, I don't think it's done so fairly.

I would only think it was fair for First Central to decline a claim because of a breach of a policy condition where that breach was material to whether or not it was reasonable for First Central to pay the claim but for that breach. I don't think that's the case here.

I accept that Mr M's decision to scrap his car did deny First Central the opportunity to examine it and to satisfy itself that the car was a total loss. But Mr M provided photographs of the car which demonstrate the extent of the damage to it. And it appears that, having considered those images First Central does not dispute that the car was a total loss. So, , it would have dealt with any claim on that basis. In these circumstances, it's difficult to see how Mr M's delay in making the claim has prejudiced First Central's position. That is an accident happened leading to the total loss of Mr M's car. That was something his policy covered, regardless of the delay in Mr M making the claim.

Mr M has also explained that while he was recovering from his injuries he made some decisions he wouldn't make now. Including telling First Central he didn't want to make a claim. In those circumstances, where Mr M's decision making was affected by his injuries, I don't think it's fair for First Central to decline the claim because of Mr M's delay in making it. It follows that I think First Central should now deal with Mr M's claim by assessing the market value of his car.

That said, if First Central had dealt with the claim, after paying Mr M the car's market value (less any excess) it would have sold the salvage and received a sum for that. But as Mr M has already sold the car himself it won't now receive that payment. So, I think it's fair for First Central to reduce any settlement payment by the amount it would have received for the car from its salvage agents.

I'll briefly add that, when supplying this office with further information in June 2025, First Central referred to other matters as potential reasons to decline the claim. For example Mr M not safeguarding the car or its keys. But these are not reasons that First Central gave for declining Mr M's claim at any other point and it didn't refer to those issues in its response to Mr M's complaint. So I don't think it would be fair for First Central to try and rely on these new points now when it has not put those to Mr M at any point during his claim journey or since.

Putting things right

I require First Central to:

- Pay Mr M a further £200 compensation to address his additional distress and inconvenience arising from its misinterpretation of the claim details.
- Settle Mr M's claim for the market value of the car less his policy excess and the amount it would have received for the salvage.
- In line with our usual process, add simple interest to its claim settlement at a rate of 8% a year from the date Mr M claimed to the date it makes payment to him.

My final decision

For the reasons set out above I uphold this complaint and require First Central Underwriting Limited to take the steps set out under the heading putting things right above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 11 November 2025.

Joe Scott
Ombudsman