

## **The complaint**

Mr H complains that 1st Central Underwriting Limited unfairly declined a claim on his motor insurance policy and left him liable for third party costs.

## **What happened**

Mr H had a motor insurance policy underwritten by 1st Central, originally taken out in July 2022. In June 2024 he was involved in a road accident and made a claim on the policy.

1st Central declined the claim. It told Mr H that the accident happened while he was driving to work but his policy didn't include cover while he was commuting. This meant he wasn't insured for this journey. 1st Central told Mr H it would have to cover the third party's uninsured losses and look to recover these costs from him.

Mr H says he always wanted to include commuting in his cover because he drove to work. He told us he explained this to the 1st Central agent when he took out the policy. He told us his car was a relatively cheap runaround, he didn't want to repair it, and had sold it for scrap. However, he's unhappy 1st Central is asking him to pay the third party's costs. He brought his complaint to this service.

Our investigator recommended that the complaint should be upheld. She thought the Consumer Insurance (Disclosure and Misrepresentation) Act 2012 (CIDRA) applied in this case. She thought Mr H had made a careless misrepresentation when he took out the policy by not making sure he was covered for commuting. She thought 1st Central should settle the claim proportionately in line with the remaining policy terms – which would mean paying 99% of the claim – and pay Mr H £300 to reflect the distress and inconvenience its decision on the claim caused him.

1st Central didn't accept this, so the complaint was passed to me to make a final decision.

## **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.

First, I've thought about whether CIDRA applies in this case.

- Mr H's policy documents show he was covered for "*Social Domestic & Pleasure Use only, excluding Commuting Use.*" So I'm satisfied he wasn't covered for commuting.
- If Mr H was asked to select what cover he wanted I don't think CIDRA applies. That's because 1st Central would have been carrying out his instruction, similar to Mr H selecting whether he wanted comprehensive or third party cover.
- If Mr H was asked what he used his car for, and he didn't say he used his car for commuting, that would be a misrepresentation and CIDRA applies. That's because 1st Central will have used the information about Mr H's use of his car and factored that into the cover it offered.

- Both parties agree that the policy was taken out over the phone in July 2022. 1st Central can't provide a recording of this call. I think it's reasonable for me to think that the conversation between Mr H and 1st Central's agent would have included a discussion about what Mr H used his car for.
- In the circumstances, I'm satisfied that CIDRA applies in this case.

Second, I've considered how CIDRA affects Mr H's claim:

- CIDRA requires consumers to take reasonable care not to make a misrepresentation when they take out an insurance policy. The standard of care is that of a reasonable consumer.
- If a consumer fails to do this, the insurer has certain remedies provided the misrepresentation is what CIDRA describes as a qualifying misrepresentation. For it to be a qualifying misrepresentation the insurer has to show it either wouldn't have offered the policy or would have offered it on different terms if the consumer hadn't made the misrepresentation.
- 1st Central told us: "*If [Mr H] had correctly chosen to include commuting for his policy, his premium would have increased by 1%.*" That would have increased his premium by £4.20. This means I'm satisfied Mr H's misrepresentation was a qualifying one under CIDRA.
- I don't think Mr H deliberately set out to mislead 1st Central. I think he failed to take reasonable care not to make a misrepresentation by not including commuting use. I think his misrepresentation was a careless one, rather than deliberate or reckless.
- Given 1st Central would have offered the level of cover the consumer needed, but at a higher price, I think it's fair that it settles the claim proportionately. In this case, that means settling 99% of the claim.
- I leave it to 1st Central to decide if it wants to ask Mr H to pay the other 1% of its costs.

Finally, I think 1st Central's handling of the claim caused Mr H distress. It told him he'd be liable for the third party's costs, potentially running to several thousand pounds. I agree with our investigator that this would have caused Mr H distress and 1st Central should compensate him for this. Having considered the level of award made by this service in similar circumstances, I think it should pay him £300.

### **My final decision**

My final decision is that I uphold the complaint and order 1st Central Underwriting Limited to:

- Settle the claim on a proportionate basis in line with the remaining policy terms.
- Pay Mr H £300 to reflect the distress and inconvenience it caused him by its handling of the claim.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H to accept or reject my decision before 8 October 2025.

Simon Begley  
**Ombudsman**