

The complaint

Miss E and her representative complain that First Central Underwriting Limited (First Central) unfairly declined to settle a claim on her motor insurance policy.

What happened

Miss E took out a motor insurance policy with First Central. Her car was involved in a low impact collision of which she was at fault. The third-party made a claim on her policy. First Central said she had declared she was commuting when the incident occurred, and her policy covered her for social use only. It said as she'd explicitly chosen not to include commuting cover, it had offered a policy based on her declared usage (e.g. social, domestic and pleasure only). And because she had declared she was commuting when the incident occurred, this was a breach of the policy terms and it declined to settle the claim.

Miss E gave First Central permission to deal with the third-party claim on her behalf. The third-party claim included costs for car hire and damaged belongings. When asked to settle the third-party claim, Miss E disputed the costs. She said it was a low impact collision and there was not much damage to the third-party car. And it was able to be driven away. First Central said Miss E was responsible for payment of the full claim costs of the third-party.

Miss E brought her complaint to us and our investigator thought it should be upheld. They thought there had been a policy misrepresentation and therefore the Consumer Insurance (Disclosure and Representations) Act 2012 (CIDRA) applied in this case. They said because First Central hadn't provided any evidence that it was a qualifying misrepresentation it should deal with the claim in line with the remaining policy terms and conditions (for both Miss E and the third party). And pay her £100 compensation for unfairly declining the claim as opposed to dealing with it under CIDRA.

First Central doesn't agree with the investigator and has asked for an ombudsman's decision. It said CIDRA didn't apply in this case because it only provides remedies where there has been a qualifying misrepresentation. It said in this case the situation is better framed as a breach of policy terms because Miss E made a conscious choice not to purchase commuting cover and therefore the claim was excluded from cover as per the terms of the policy.

What I provisionally said

Miss E explained that when she took the policy out she didn't use the car to travel to work because it was walking distance from where she lived, or she got a lift. She said she only realised she should've updated her employment once she'd had the accident. She said this was her first ever motor insurance policy and she hadn't made any deliberate attempt to withhold information from First Central.

I considered the changes after the policy started, and Miss E's duty to inform First Central about these.

I looked at the terms of the policy and it says;

“Keeping your policy up to date

Changes which may affect your cover

As some changes will affect your cover, you should tell the insurer immediately about any change to the details you have previously declared on your Statement of Fact, for example:

- a change of car;*
- if you sell or get rid of your car;*
- what you use your car for;”*

Therefore, I agree Miss E should’ve told First Central when she changed her employment and started to use the car to travel to and from her place of work.

I’m satisfied this was a careless mistake because she told First Central that she was commuting when she informed it of the incident, and she has been fully transparent and co-operative with First Central throughout the claim.

I considered what First Central did when it became aware that Miss E had changed employment and had started using her car to go to work. In this case it continued to offer cover after adding commuting, at a slightly increased cost to her policy premiums.

I consider a fair and reasonable outcome in this case would be a proportionate approach. This is similar to the approach for a careless misrepresentation in CIDRA, but I’m not applying CIDRA, my decision is based on what I think is fair and reasonable in the circumstances.

I think the claim should be settled proportionately. In this case because First Central has told us if Miss E had asked to add commuting to her policy it would have increased her policy premium by 1%, I think the fair and reasonable outcome is for it to settle the claim but reduce the total amount by 1%. Miss G will be responsible for the remaining 1% due to the third party.

Therefore I intend to require First Central to settle the claim in line with the remaining terms and conditions of the policy, with a reduction of 1% of the total due.

Responses to my provisional decision

Miss E responded and accepted my provisional decision on the basis the total claim cost was £2,523, which is what First Central had previously asked her to pay for the third-party claim.

First Central didn’t make any response.

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 response to Miss E’s comments

I asked First Central to confirm the total third-party claim cost. And I said should it not send a response I would accept the information held on our file that the third-party claim was £2,523. Because no response was received, the total claim is accepted as £2,523.

Based on the response I reviewed; I maintain my provisional decision and I uphold Miss E’s complaint.

Putting things right

I require First Central to settle the third-party claim in line with the remaining terms and conditions of the policy, with a reduction of 1% of the total due.

My final decision

For the reasons I have given I uphold this complaint.

I require First Central to settle the third-party claim in line with the remaining terms and conditions of the policy, with a reduction of 1% of the £2,523 due.

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

Sally-Ann Harding
Ombudsman