DRN-5900391

The complaint

Miss G is complaining First Central Insurance Management Limited (FCIM) has applied a default on her credit file relating to missed payments on a running account credit agreement.

What happened

In November 2022 Miss G took out a car insurance policy through FCIM – in its capacity as an insurance broker. She wanted to pay for the annual premium in monthly instalments. To do so she entered into a running account credit agreement provided by FCIM. FCIM paid the annual premium on Miss G's behalf. She then agreed, under the terms of the finance agreement, to repay this amount to FCIM plus the cost of credit over 12 months.

In February 2023 Miss G took out another car insurance policy for the same car. She chose to pay for the annual premium in the same way as the other policy.

In April 2024 FCIM wrote to Miss G to say she'd cancelled her direct debit mandate and said it may cancel the insurance policy if she didn't reinstate the direct debit mandate and pay the missed payment. In May 2024, FCIM cancelled both of Miss G's insurance policies due to non-payment of the monthly premium finance payments.

Miss G complained to FCIM and, in summary, raised the following:

- She doesn't believe FCIM sent her a valid default notice in line with its requirements under the Consumer Credit Act 1974. So she said its failure to do this meant it can't add a default marker against her.
- FCIM recorded three credit agreements on her credit file, but she was only given two agreements. She said this account was neither explained to her nor included within her Data Subject Access Request ('DSAR') request.
- In May 2025 FCIM tried to initiate unauthorised direct debit mandates on two of her bank accounts.
- She said FCIM didn't fully comply with her DSAR request as it didn't provide several items – notably details of the third account and call transcripts.
- She said the default on her file has meant she's unable to obtain a mortgage, which has put her and her children at risk of homelessness.

FCIM partially upheld her complaint. It said it had written to her about the missed payments which included providing the requisite default notice. But it acknowledged there had been some system issues when trying to backdate the cancellation, which caused the request for payment. And it said it would pay her £100 in compensation. It also removed a £15 fee it initially charged once the direct debit mandate was cancelled.

Our Investigator upheld this complaint. She was satisfied it was fair for FCIM to add a default marker on Miss G's credit file and that it had given the requisite notice. But she didn't think the £100 compensation FCIM offered reflected the seriousness of the impact its administrative errors had had on Miss G. So she thought FCIM should increase its compensation to £300.

FCIM accepted the Investigator's opinion. But it said Miss G still owed £39.69 on the credit agreement. And asked if it could offset some of the compensation against this.

Miss G didn't agree with the Investigator's opinion and has provided several detailed responses. But, in summary, she said the following:

- She maintains FCIM didn't provide a default notice in line with the requirements as set out in the Consumer Credit Act 1974 ('CCA') and the Consumer Credit (Enforcement, Default and Termination Notices) Regulations 1983.
- FCIM's contract specifies that *"If the second payment attempt is unsuccessful, 1st Central will send you a default notice asking you to make the payment within 14 days."* She says FCIM acknowledges it didn't do this.
- Her credit file contains inconsistent entries from FCIM. And she said internal emails from FCIM show its employees were manually adjusting her balances and were unsure if the cancellation was being applied correctly.
- FCIM was aware she was a vulnerable consumer, but it didn't take any of this into consideration when handled her credit file.
- FCIM didn't provide important documentation when complying with her DSAR.

Miss G reiterated FCIM's actions had caused her significant distress and inconvenience. As Miss G didn't agree with the Investigator's opinion, the complaint'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.

I've decided to not uphold this complaint and I'll now explain why.

I should first set out that I acknowledge I've summarised Miss G's complaint in a lot less detail than she has presented it. Miss G has raised a number of reasons about why she's unhappy with the way FCIM has handled this matter. I've not commented on each and every point she's raised. Instead I've focussed on what I consider to be the key points I need to think about. I don't mean any discourtesy about this, but it simply reflects the informal nature of this Service. I assure Miss G and FCIM, however, that I have read and considered everything they've provided.

Miss G has also complained about the insurer's actions – in particular that it allowed her to take out a duplicate policy and the amount it's charged for the policies. But this Service is considering this in a separate complaint. In this decision I'm only considering FCIM's actions in the handling of her credit agreement.

Essentially, the issue for me to decide is whether it was fair for FCIM to record a default notice on her credit file. Miss G has said FCIM was in breach of the CCA and Consumer Credit (Enforcement, Default and Termination Notices) Regulations 1983. She doesn't believe the emails sent to her would be considered default notices as she doesn't believe they included the relevant wording or headings. So she doesn't think FCIM was allowed to apply a default.

I note what Miss G has said here, but I'm not persuaded the emails FCIM has sent weren't compliant with the relevant regulations. I've noted the first email FCIM sent seems to have had the following title:

"Direct debit default notice – please disregard if customer has paid within the last 7 days".

Another email sent to Miss G says:

"Because your payment instruction has been cancelled, we do need to let you know that this is classed as a Default Notice served under Section 87 (1) of the Consumer Credit Act 1974. This means the following things:

- *If the payments aren't brought up to date, we'll let credit reference agencies know about the outstanding amount, which could impact your credit score."*

And the email sets out that this needed to be actioned by 9 May 2023.

S88 of the CCA says:

"The default notice must be in the prescribed form and specify—

a) the nature of the alleged breach;
b) if the breach is capable of remedy, what action is required to remedy it and the date before which that action is to be taken;
c) if the breach is not capable of remedy, the sum (if any) required to be paid as compensation for the breach, and the date before which it is to be paid."

I'm satisfied the email sent does do that. But, even if FCIM didn't send a requisite default notice under the CCA, it doesn't follow that it couldn't record a default on her credit file. And the CCA doesn't say a finance company can't record a default notice if a default notice isn't fully S88 compliant. However, we would consider whether a consumer would likely have acted differently if the lender had done what it should have.

I'm not persuaded Miss G would have acted differently. The emails sent are clear that a failure to act upon these emails would have an impact on her credit file. I also note Miss G told this Service in a telephone call that she was having a very difficult time in her personal life at that time and, as a result, wasn't opening her mail. And she explained her mother was taking ownership of things at the time.

I naturally sympathise with the situation Miss G was in at the time. And I'm sorry to hear about the challenges she was facing. But, I still have to think about whether it was unreasonable for FCIM to apply a default notice. It ultimately sent her emails and text messages about the debt. She didn't respond to any of these and the arrears remained on the account for several months.

Miss G has highlighted she was in a vulnerable situation and says she told FCIM about this. I can see she informed FCIM of her situation when she raised a complaint, but this was after FCIM had applied the default notice.

The regulations set out that FCIM should be on the alert for where there are indications of someone in a vulnerable situation. But, while I fully appreciate Miss G was in a difficult position at the time, I haven't seen anything to show FCIM was advised of this when the default notice was applied. Furthermore, FCIM also said the following in its email to Miss G:

"We've noticed you've defaulted on your payments before, we want to let you know we're here to help if you'd like to talk about your payment plan. If you're struggling to make your payment or just want to discuss your options, you can call us on …, and our friendly team will be able to talk you through the different options available to you if you're in financial difficulty."

So it invited Miss G to contact it if she was in difficulty. But she didn't do so.

Taking everything into consideration, I haven't seen anything to show FCIM acted unreasonably in the way it communicated with Miss G and applied the default notice. It follows, therefore, that I'm not requiring it to remove the record. And, while I note all of Miss G's comments, I'm not persuaded any of the entries recorded on her credit file were unreasonable.

Miss G has complained FCIM sought to take further payments after she raised a complaint. And she's said FCIM's internal emails provided as part of her DSAR shows confusion and inconsistency regarding what it needed to do to put things right.

I can see from FCIM's internal communications there was a lot of internal communication around how to put things right – although I think some of this was also in relation to the insurance policy which, as I said above, is not the subject of this complaint. However, these actions resulted in FCIM incorrectly seeking to take payments from Miss G's account. And it accepts this shouldn't have happened. I can also see it gave Miss G incorrect information and has been misleading on the balances on the finance agreement. I agree with the Investigator that £100 wasn't fair compensation and I think £300 is in line with what I would have awarded. So I think FCIM should increase its compensation award to this.

Miss G has said FCIM didn't provide everything it was required to do under her DSAR. Firstly, I do need to set out that this Service is not a regulator. So it's not our role to say what a business should or shouldn't provide as part of a DSAR. Furthermore, we don't fine and punish a business if it does comply with a DSAR correctly. Our role is to look at whether an insurer acted fairly and reasonably and, if it hasn't, whether a consumer has lost out.

I'm not persuaded I've seen enough to show FCIM didn't handle Miss G's DSAR fairly and reasonably in regards to what it provided her. But, even if it didn't, I haven't seen anything to show Miss G has lost out because of this. So I don't think FCIM needs to do anything more regarding this.

My final decision

For the reasons I've set out above, it's my final decision that I uphold this complaint and I require First Central Insurance Management Limited to increase the compensation it's offered to £300. It should pay this to Miss G directly if it hasn't already done so. However it can offset any amount still owed on the premium finance agreement against this.

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