

## **The complaint**

Mrs C has complained about the way her motor insurer, First Central Underwriting Limited ('First Central'), dealt with a claim she made on her policy. Among other things, Mrs C doesn't think its investigation into the cause of the claim was sufficient.

## **What happened**

In May 2023, Mrs C purchased a second-hand vehicle which she insured with First Central. In January 2025, the vehicle caught fire and, as a result, was declared a total loss. First Central assessed the pre-accident value at £24,503.

Mrs C complained to First Central and said it failed to investigate the cause of the fire by failing to obtain a forensic engineer's report. Mrs C said she believed there was a manufacturer's defect that caused the fire and so the manufacturer should be responsible for the damage.

First Central responded to Mrs C's complaint in May 2025, but it didn't uphold it. It said it had agreed to settle the claim and that as the vehicle was subject to a finance agreement, it was waiting for her to provide the early settlement figure before making any payments. In relation to additional evidence requested by Mrs C, First Central said it was aware this had been requested by the dealership which sold her the car and was still waiting for her to explain why this evidence was required.

First Central then paid £24,530 less the £350 excess to the finance company. This left a £6,858.40 shortfall which Mrs C was told she was responsible for. Mrs C remained unhappy with First Central's handling of the claim.

First Central wrote to Mrs C and said that it was responsible for the market value of the vehicle and no additional amount. It noted that there was a shortfall between the pre-accident value and the outstanding amount on the finance agreement and said this is something she should discuss with her finance company or potentially something covered under a Guaranteed Asset Protection (GAP) policy, if she took one out. It added that it would keep the vehicle in the meantime in the event Mrs C wanted to arrange an inspection but due to health and safety concerns it preferred for it to be inspected at its salvage agent's premises. It also provided further details regarding the valuation it reached. It said this was based on valuations produced by motor guides which took into account factors like mileage and vehicle condition and that it had offered the highest valuation provided by the guides.

Unhappy with First Central's responses Mrs C brought her complaint to our service. She said, among other things, that First Central failed to appoint a forensic investigator and

caused unreasonable delays. She asked for her claim to be immediately processed and for fair compensation.

While the complaint was with our service, First Central wrote to Mrs C again and said it wasn't seeking to absolve itself of any responsibility, as had been claimed by Mrs C, and pointed out it had agreed to settle the claim. It also said it dealt with the matter promptly and settled the claim within two months of notification. It added that as the claim was settled as a total loss, the vehicle became its property.

Mrs C didn't agree and said that the vehicle registration document was still in her name and so she was still the owner of the car. She added that if the vehicle was First Central's property, then it should settle the finance. She raised further points including the fact that she didn't feel that First Central had been transparent about the valuation it reached and reiterated that it failed to settle the matter promptly. She also felt it obstructed her rights under the Consumer Rights Act 2015 because without an inspection she wouldn't be able to establish the cause of the fire and potentially pursue the manufacturer.

The complaint was reviewed by one of our investigators. Our investigator didn't think First Central had to take any action and considered its investigation and settlement to be in line with its policy terms.

Mrs C didn't agree. Her main points were:

- First Central had a duty to act fairly and reasonably when investigating claims.
- First Central had a responsibility to identify whether the incident fell within the scope of cover, and this required a preliminary causation analysis.
- First Central failed to provide detailed valuation evidence which could amount to procedural unfairness.
- There was no lawful and fair settlement to lead to the transfer of ownership.
- She asked who bore responsibility for the fire, bearing in mind it is still unclear how it was caused.

Our investigator didn't change her view. Among other things, our investigator said that if there is a manufacturing defect it would be for the manufacturer to investigate not the insurer. She also didn't think there was a lack of transparency in relation to the valuation.

The matter was then 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'd like to begin by saying that I am very sorry to hear about this incident and the difficult position it has left Mrs C in — particularly being asked to continue making payments for a car she no longer has.

I'd also like to say that I appreciate Mrs C feels very strongly about the claim and has raised

a number of points she'd like us to consider. In my decision, I have focused on the points I consider to be the most relevant. No discourtesy is intended by this. We aim for our decisions to be as concise and to the point as possible.

#### The investigation and the cause of the fire

Mrs C is of the view that the fire started due to a manufacturing defect and has raised this with the business who sold her the car. The business did not accept any liability and said that there was no supporting evidence including a technical report or forensic assessment establishing the cause of the fire. Mrs C feels strongly that this evidence should be obtained by First Central so that the cause of the damage can be established.

Under the terms of the policy, First Central is responsible for covering loss or damage caused by, among other things, a fire. As long as it is satisfied that there is a valid claim under the policy, it is required to indemnify its insured. First Central carried out checks in order to validate the claim which included an engineer's assessment as well as an interview with Mrs C. After those checks were carried out it confirmed that the claim had been validated and proceeded to settle it. I appreciate Mrs C feels that it should do more investigations into the cause of the fire, but this isn't something it is required to do under the terms of the policy. And, as it confirmed that the claim was covered, I don't think it would have been reasonable or necessary for it to incur further costs or cause delays by carrying out further checks. I say this because no further investigation would have changed the outcome of the claim as it had already been accepted.

Mrs C has cited case law in support of her argument that First Central had to act fairly and reasonably when investigating the claim. And she said it failed to do so in failing to establish what caused the fire. I agree that First Central had to act fairly and reasonably in investigating the claim. As I said above, it agreed to cover the claim and, on balance, I don't think any further investigation was necessary after that point. I have considered the two cases cited by Mrs C in her response to our investigator, but I didn't find them to be relevant to this argument. The first case (*Fagnoli v GA Bonus Plc* [1997] C.L.C, 653) mainly concerns an ambiguous contract term and the second (*Manifest Shipping v Uni-Polaris Insurance Co Ltd* [2003] 1 AC 469) was mainly about unseaworthiness and the duty of utmost good faith in marine insurance. In any event as I said I agree that First Central had to act fairly and reasonably and in my view it did so in the circumstances.

Mrs C also said that First Central had a responsibility to identify whether the incident fell within the scope of cover, and that this required a detailed causation analysis. I understand her position, but I don't agree that further investigation was necessary. First Central had already carried out the checks it needed in order to satisfy itself that the claim was covered, and once it had established that the loss fell within the scope of the policy, I don't think it was required to undertake additional enquiries into the precise cause of the fire.

#### The shortfall between the pre-accident value and the finance agreement

The policy also states that First Central will not pay more than the market value of the insured car at the time of the loss less the total excesses and any unpaid premium. If the car is under a hire purchase/lease/contract hire agreement the insurer will settle the claim directly with the finance company.

The policy defines “market value” as:

“The cost of replacing your car with one of a similar make, model, age, mileage and condition based on market prices at the time of the accident or loss. This may not be the same price you originally paid for your car or the value you declared in the Statement of Fact.”

First Central paid the market value and this is the maximum it had to pay under the policy, according to the terms I mentioned above. Unfortunately, there was an almost £7,000 shortfall between the market value and the amount outstanding under the finance agreement. But I don't think this is something First Central is responsible for. I think by paying the market value, First Central has dealt with the claim in line with the terms and conditions of the policy and I don't think it would be fair or reasonable to ask it to pay anything in addition to this. Unfortunately, it isn't uncommon for such situations to arise, where the market value is lower than the amount outstanding under a finance agreement, especially in the early stages of a car being purchased. And this is often to do with the speed with which cars depreciate. This doesn't mean that the motor insurer should be responsible for any shortfall, as long as it acts in line with its policy terms.

First Central said that if Mrs C has taken out any GAP insurance, her GAP insurer may be able to cover this shortfall but this would depend on the terms of their agreement. I think it is a sensible suggestion for Mrs C to look into whether she had taken out such a policy when she purchased the vehicle or at some other point and to contact the relevant insurer.

#### Additional points raised by Mrs C

Mrs C said that she didn't think First Central was the owner of the car as the vehicle registration document was still in her name. However, under the policy terms if the insured vehicle is considered a total loss, it will become the property of the insurer. In this case as First Central has already paid the total loss claim it is reasonable to say that it is entitled to ownership of the salvage. Nevertheless, I don't think First Central becoming the owner of the vehicle necessarily means that it would become liable for the shortfall under the finance agreement as argued by Mrs C. The finance agreement is a separate contract Mrs C entered into with another company which First Central wasn't party to.

Mrs C was also unhappy about the transparency involved in First Central's valuation. First Central said this was based on, among other things, the make and model of the vehicle and also the mileage. First Central later provided Mrs C with the values produced by motor valuation guides, which is what we would also rely on to determine whether a valuation offer was fair and reasonable. First Central showed that it consulted various guides and that its offer of £24,503 was based on the highest valuation obtained under the guides. So, I think it has been transparent and has told Mrs C what the other valuations were. I also thought the decision to offer the highest valuation was fair and reasonable.

Mrs C also said that the lack of transparency could amount to procedural unfairness. However, in the circumstances, I don't see what further information First Central could reasonably have provided beyond the valuation outcomes it had already shared. It explained that the valuation was based on factors such as the make, model, age and mileage of the vehicle — information that Mrs C herself already knew. So I don't think she was prevented

from assessing the valuation or raising any objections if she disagreed with it. Mrs C cited the case of *Coles v Hetherton* [2013] EWCA Civ 1704 in support of her argument, nevertheless I didn't consider this case to apply to these circumstances. In this case the court's main finding was that open market repair costs and not those paid by insurers, which can sometimes be lower, are what the parties are able to recover.

Furthermore, Mrs C didn't think that the settlement paid by First Central was fair and lawful meaning there was no transfer ownership of the salvage to First Central. I respectfully disagree with this argument. For reasons I gave above, I thought the offer was fair and reasonable and in line with the policy terms which require the insurer to pay up to the market value of the vehicle.

Mrs C has requested that we confirm who should bear responsibility for the fire, however, as our investigator already explained, this isn't something that would fall within the scope of this decision. My role is to investigate whether First Central acted fairly and reasonably as Mrs C's insurer and doesn't extend to the acts or omissions of third parties.

In terms of potential delays, from what I have seen the claim was reported in March 2025, two months after the incident. Mrs C provided her reasons for the delay which First Central accepted. The claim was settled by May 2025 and bearing in mind that First Central conducted an interview in the meantime and settled the claim shortly after receiving the early settlement figure I don't think it caused unnecessary delays.

I understand that this decision will be disappointing for Mrs C, particularly given that she no longer has her car but is still required to make further payments. I do not underestimate how difficult that must be. Nevertheless, for the reasons I have explained, I am satisfied that First Central handled the claim in line with the policy terms, and I do not consider it is required to take additional action.

### **My final decision**

For the reasons above I have decided not to uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs C to accept or reject my decision before 11 March 2026.

Anastasia Serdari  
**Ombudsman**