DRN-5973058

The complaint

Mr E complains that First Central Underwriting Limited (First Central) is asking him to pay a third-party claim on his motor insurance policy.

What happened

Mr E had a motor insurance policy underwritten by First Central, originally taken out in August 2020 via a comparison website. The policy renewed in August 2023. A named driver under Mr E's policy was involved in an accident in July 2024.

Mr E says didn't make a claim because his car wasn't damaged, but the third party's insurer contacted First Central to claim for the damage to his car. Mr E accepted the named driver was at fault for the accident and that the named driver was using the car for commuting when the accident happened. First Central said Mr E's policy was limited to social, domestic and pleasure use. It said the damage to the third party's car and personal injury claim wasn't covered, because Mr E's named driver was driving outside the policy's terms.

In August 2025, First Central wrote to Mr E to confirm that it had settled the third party's claim and it would recover the claim payment of £6,314.96 from him. Mr E complained about the amount First Central had paid to the third party. In its response, First Central maintained Mr E needed to pay for the cost it incurred in settling the third party's claim.

Unhappy, Mr E referred his complaint to our Service. Our investigator recommended the complaint be upheld. They thought The Consumer Insurance (Disclosure and Misrepresentations) Act 2012 (CIDRA) applied in the case and recommended that First Central reassess the claim in line with the remaining terms of the policy. They also thought First Central should pay Mr E £500 in total for its poor handling of the claim.

First Central didn't accept this, so the complaint has been 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.

I'm aware I've set out the background to this complaint in less detail than the parties have presented it. I'm not going to respond to every single point raised. Instead, I've focused on what I find are the key issues here.

First Central said Mr E's claim isn't covered under the policy because he only had social, domestic and pleasure use, and no commuting. I've reviewed Mr E's policy documents, including the relevant motor insurance certificate and I can see he didn't have cover to use his car for travelling to and from work. So, I agree that, under a strict interpretation of the policy, Mr E isn't covered for the third party's claim. But I have to think about whether this is fair and reasonable.

First Central said it didn't think Mr E made a misrepresentation when he applied for the policy. It said Mr E chose not to include commuting cover and because the named driver was commuting at the time of the accident, they breached the policy terms. I've thought about whether this was fair and reasonable for First central to take this approach. And, in this case, I don't think it was. I say this because I think this matter is a question of whether Mr E misrepresented how he used his car. So, I think the key question I have to think about here is whether the Consumer Insurance (Disclosure and Representations) Act 2012 ('CIDRA') applies in this case. I think it does and I'll explain why.

Mr E purchased his policy online, through a price comparison website. I've looked at the screen shot example of the question he was asked when he took out the policy which was: *"What do you use the car for?".* It asked him to select one of three options*: "Social, domestic and pleasure (SDP)*"; "*Social, domestic, pleasure and commuting (SDPC)";* or *"SDPC and business use".*

I'm satisfied First Central will have used this information Mr E gave about his use of his car and factored into what cover it offered because it asked a question about how he used his car. So, I think CIDRA does apply in the specific facts of this case. And that First Central should have treated Mr E's situation as misrepresentation.

Did Mr E take reasonable care not to make a misrepresentation?

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. And 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 qualifying misrepresentation the insurer has to show it would have offered the policy on different terms or not at all if the consumer hadn't made the misrepresentation. CIDRA sets out a number of considerations for deciding whether the consumer failed to take reasonable care. And the remedy available to the insurer under CIDRA depends on whether the qualifying misrepresentation was deliberate, reckless or careless.

The test for whether the consumer took reasonable care is set out in CIDRA. The standard of care is that of a 'reasonable consumer'. This means I need to consider what a reasonable consumer would have done in the circumstances. So, I've looked at the online application Mr E completed, and I think the question outlined above made it clear what information First Central needed to know. And, alongside this question above, there was information that Mr E could have looked at, to see what each of the different options meant, before answering.

Given the clarity of the question, and Mr E knew the car would be used for commuting, I think he failed to take reasonable care to answer this question correctly. Because I think Mr E failed to take reasonable care, under CIDRA, I now need to consider whether the misrepresentation he made was a qualifying one.

Was Mr E's misrepresentation a qualifying one?

For a misrepresentation to be qualifying, First Central would need to provide evidence to show that, if it knew Mr E would be using the car to commute, this would have made a difference to its decision about the cover offered to him.

First Central has confirmed to our investigator that it would have still insured Mr E had he said he intended to use the car for commuting, but it would have charged him an increased premium of 1%. So, the impact of Mr E's misrepresentation to First Central is that it received

less in premium than it would have otherwise received. This means I'm satisfied Mr E's misrepresentation was a qualifying one under CIDRA.

Mr E said he didn't realise he wasn't covered for commuting. He said he used a work van, and the named driver used the car. I'm satisfied Mr E made a mistake, but CIDRA would consider this to be a careless misrepresentation. In the circumstances like Mr E's case where there's an existing claim and the insurer can show they would've charged a higher premium, CIDRA says that the insurer may reduce proportionately the amount paid on a claim.

So, I direct First Central to reassess the claim on the basis that Mr E carelessly misrepresented how he used his car and deal with it in line with the remedies set out under CIDRA.

It's clear that First Central should have looked at Mr E's claim in line with this service's approach. I think its failure to do so and the delay of around a year in telling Mr E that he needed to pay £6,314.96 caused considerable amount of distress and inconvenience. I agree with the investigator that an increased amount of compensation in respect of distress and inconvenience should be paid. I direct First Central to increase the compensation to a total of £500.

My final decision

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

- Reassess the claim in line with CIDRA; and
- Pay Mr E £500 in total to reflect the distress and inconvenience it has caused.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr E to accept or reject my decision before 19 March 2026.

Lorraine Ball
Ombudsman