DRN-5990403

The complaint

Ms B complains that First Central Underwriting Limited unfairly charged her an additional premium for her motor insurance policy, which led to the policy being cancelled.

What happened

Ms B bought a First Central policy online. Shortly afterwards First Central asked her to provide further evidence including information about a claim involving her named driver. Having responded to its enquiries First Central said that Ms B would need to pay it an additional premium of £737. Ms B did not have the option to pay that sum in instalments. The policy was subsequently cancelled because Ms B couldn't pay that amount.

Ms B didn't think First Central had handled the matter fairly. She brought her complaint about that to us. One of our Investigators looked into it. He didn't think that First Central had got everything right. But he didn't think that its error would have made a difference to the eventual outcome for Ms B. So he didn't recommend that First Central take any further action.

Ms B didn't agree with our Investigator's complaint assessment. So as the matter remains unresolved it's been passed to me to determine.

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.

There is legislation: The Consumer Insurance (Disclosure and Representations) Act 2012 (CIDRA), which is relevant to Ms B's complaint. This requires consumers to take reasonable care not to make a misrepresentation – that is to make sure they answer an insurer's questions accurately – when taking out a consumer insurance contract (a policy).

If a consumer does make a misrepresentation, CIDRA gives the insurer 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 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 or reckless, or careless.

In this case Ms B initially applied for her policy through an online comparison site, which asked her a number of questions. First Central raised issues with her answers to three of those, which involved:

- Her no claims discount (NCD) entitlement.
- The claims history of her named driver.
- The length of time she held a full driving licence for.

I've considered each in turn.

NCD entitlement

When Ms B applied for the policy she said she had three years NCD. After Ms B provided further information First Central found that she had underrepresented her NCD entitlement. That is she actually had four years NCD. This would have reduced Ms B's premium if First Central had known about it from the outset. So it was technically a qualifying misrepresentation, but it's one that would have been in Ms B's favour. So I've focused below on the other two issues.

The named driver's claim history

Ms B had run a number of quotes for the policy. In some of those she said that her named driver had a 'fault' claim from November 2022. But she didn't refer to that incident in the quote she accepted and for the policy she actually bought. So, when First Central identified the discrepancy, it asked her for further information about this. But Ms B was unable to show it evidence that the claim was not a 'fault' claim. She said that the third party insurer for that incident had paid to have her named driver's car repaired and so no claim was put through the relevant policy at the time and the NCD was not affected.

Ms B did ask the previous insurer for claims evidence showing that no claim was made but this wasn't forthcoming. She also provided a letter from a solicitors' firm saying that the third party insurer had settled a claim on a without prejudice basis but that letter didn't comment on liability.

First Central said that as Ms B hadn't shown that the incident concerned was not a fault claim, it had treated it as such. That caused Ms B's policy premium to increase.

Again, Ms B's evidence said that as the claim was settled by the third party insurer without going through the insurer covering the named driver at the time of the accident. And she was unable to provide evidence that the claim was non-fault rather than fault. I'll briefly add that, while the named driver didn't claim against the policy covering him at the time, that doesn't mean that Ms B wasn't required to tell First Central about it when she applied for the policy.

That's because the comparison site asked her to disclose details of all claims and losses "regardless of fault or **whether you claimed or not** [emphasis added]**"** So to answer that correctly she was required to tell First Central about the incident, even though the third party insurer dealt with the matter. So she did make a misrepresentation by omitting the detail of the incident on the policy application.

However, I don't think it was fair for First Central to treat this for premium purposes as a fault claim. Ms B had explained the circumstances to First Central. And there was no other evidence, for example on any shared insurance database, of the incident taking place and no evidence from an insurer that there was a fault claim against the named driver. The only evidence First Central had was Ms B's mistake in entering it as such on earlier quotes on the comparison website. But given that was her mistake and she'd explained the correct situation and provided what evidence she could, I don't think First Central acted reasonably when it decided to treat it as a fault claim. Instead I think it should have considered the matter as non-fault. I've discussed the impact of this further below.

How long Ms B had held her driving licence for?

When applying for the policy Ms B said she'd held her driving licence since 2020. But that wasn't correct. She'd passed her driving test in 2022. The comparison site showed where on her driving licence the correct date was shown, so that she could correctly answer the question about this. Ms B also gave First Central a copy of her driving licence. And it's apparent that the date she gave to First Central is not the one that is on her licence. So I think First Central was correct to say that Ms B didn't take reasonable care to answer this question correctly.

First Central's shown us evidence that if she'd given it the correct date it would have charged her a significantly higher premium. So I think it was reasonable for First Central to say that Ms B made a qualifying misrepresentation when answering the relevant question here.

Was it fair for First Central to charge Ms B an additional premium?

CIDRA sets out what insurers may do when a policyholder's made a misrepresentation. It says that insurers may:

- cancel the policy; or
- tell the consumer that it will settle any future claims on a proportionate basis (or apply other exclusions or limitations it would otherwise have applied).

The insurer is allowed to choose which of the above remedies it prefers and it doesn't have to offer both of the above options to the consumer. But, CIDRA doesn't allow the insurer to simply impose an additional premium. However, we think it's reasonable for an insurer to explain to the consumer there's a problem and give them the option of paying the additional premium in order to keep the policy going or otherwise to cancel the policy themselves.

In this case First Central gave Ms B the choice of either paying the additional premium or of cancelling the policy herself. I think that was a reasonable approach for it to take. However, for the reasons given above, I think the amount it initially asked her to pay wasn't fair.

After making adjustments for the named driver having a fault claim, the NCD change and driving licence issue, First Central said Ms B would need to pay it an additional premium of £737. Ms B said she couldn't afford that extra premium, she cancelled her direct debit and the policy was cancelled.

However, as I've said above, I don't think it was fair for First Central to treat the named driver's incident from 2022 as a 'fault' claim. So we asked First Central to recalculate the additional premium with that incident recorded as 'non-fault'. It told us that would have reduced the additional premium to £574.27. So while I think First Central's approach here was reasonable, I don't think the amount it asked Ms B to pay initially was fair.

What was the impact on Ms B?

Ms B explained to us that she could not afford the additional premium and her family was not in a position to help, particularly as she wasn't allowed to pay the additional sum in instalments. First Central has confirmed that it couldn't have offered the reduced sum of £574 to be paid in instalments either. So it seems more likely than not, that even if First Central had asked Ms B to pay this lower amount, £574, the outcome would have been the same. That is Ms B would have been unable to afford such a high one-off payment and the policy would still have been cancelled. This was also our Investigator's finding when he prepared his complaint assessment and I note that Ms B did not challenge this finding when responding to it.

So I don't think the outcome would have been any different for Ms B without First Central's mistake here. Therefore, I don't think she's suffered a detriment. In those circumstances I do not intend to instruct First Central to take any further action.

I'll add that First Central has confirmed it has recorded the cancellation as being led by Ms B. So it is not recorded it as a cancellation imposed by an insurer. That means Ms B will not have to declare it when applying for other policies.

My final decision

For the reasons set out above I do not require First Central to take any further action regarding this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms B to accept or reject my decision before 9 January 2026.

Joe Scott
Ombudsman