

The complaint

Ms B complains about the charges First Central Insurance Management Limited applied on the cancellation of her motor insurance policy.

What happened

First Central is the broker and insurance intermediary which administered Ms B's motor insurance policy on behalf of the policy underwriter¹. When Ms B's policy was cancelled, as well as applying the underwriter's charge for her time on cover, First Central also charged her a £50 arrangement fee, £50 cancellation fee and £21.68 interest for paying her premium in instalments. Ms B didn't think First Central's fees and charges were fair. First Central agreed to waive the £50 cancellation fee but said Ms B would need to pay the other charges.

Ms B brought her complaint about that to the Financial Ombudsman Service. One of our Investigators looked into it. He didn't think First Central needed to take any further action. Ms B didn't agree so her 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.

Ms B's policy only covered her for a relatively short period of 39 days, for which the underwriter charged her £112 for her time on cover. Ms B had already paid a deposit for her premium of around £100, so I can understand that, from her perspective, she would only owe a further £12 or so (£112 - £100). But – after waving the £50 cancellation charge – First Central was asking her to pay around £83. Considering she told First Central she thought a charge of £12 was fair, I can understand why she was reluctant to pay the extra £71 First Central was asking for.

While I understand Ms B's point of view, I don't think First Central's done anything wrong. As I've said in the footer below, the underwriter and broker/administrator of the policy – First Central – are separate businesses. The underwriter is responsible for providing and charging for Ms B's time on cover. But First Central, as the broker and administrator, will also charge fees for arranging the policy and for the credit to allow Ms B to pay the premium in instalments. It charges fees for its work which are distinct from the underwriter's premium for providing the cover.

When Ms B bought the policy she agreed to pay First Central's fees. And the information it gave her before she bought the policy and in the policy documents themselves showed that, if it was cancelled outside of the 14 day cooling off period, then First Central would still charge her its £50 arrangement fee. That's what happened in this case. And given Ms B agreed to that charge before taking out the policy I don't find that unfair.

Further, Ms B's policy documents also say that on the policy cancellation, she would need to pay any outstanding fees or charges for credit. In this case, Ms B was paying her premium by monthly instalments. So effectively First Central had provided credit for the full cost of the

¹ The policy underwriter is a distinct entity from First Central Insurance Management. I've dealt with Ms B's complaint about the underwriter's actions under a separate reference number.

annual premium of £1,054, which she was scheduled to repay in 11 monthly instalments. The documents providing that credit say that interest would accrue and be calculated on a daily basis. In other words, interest would start accruing from the first day the credit was provided and not from the date the first repayment instalment was due. In this case, at the date of cancellation First Central calculated that Ms B owed £21.68 in interest.

Again, given that Ms B had agreed to pay any interest owing on cancellation when she took out the policy, I don't think First Central did anything wrong in insisting that she paid this sum on cancellation. So I think it applied its charges fairly.

My final decision

For the reasons set out above I do not uphold 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