

The complaint

Miss B complains about how First Central handled the cancellation of her motor insurance policy after she updated the policy when she passed her driving test and changed her driving licence from a provisional licence to a full licence. She is concerned at the fees and charges levied by First Central as part of their calculation of the balance owing on her policy at cancellation.

Any reference to First Central in this decision includes their agents.

Miss B was supported by a representative in bringing her complaint to this Service. References to Miss B include her representative.

What happened

Miss B took out a motor insurance policy with First Central in July 2024. The policy premium totalled £1,248.88 (including ancillary covers¹ and a telematics option) which, after deduction of the deposit of £90.27, was to be paid through 11 monthly instalments of £105.33. Initially the policy was based on her having a provisional driving licence, pending her passing her driving test and obtaining a full driving licence.

When she passed her driving test, Miss B contacted First Central in December 2024, who processed a mid-term adjustment to the policy to reflect the change in licence type. The change generated an additional premium of £1,093.61 (including a £30 administration fee), which First Central told Miss B about and explained in a call. Miss B agreed to spread the additional cost across the remaining instalments. This meant the remaining instalments increased £272.68. As Miss B agreed to the additional premium, First Central didn't feel it necessary to advise her she did have the option of cancelling the policy.

Miss B then contacted First Central the following month to discuss what would be the cost of cancelling the policy. First Central told Miss B what the cancellation cost would be and that the ancillaries would be payable in full and not subject to a refund. At the same time, First Central had been unable to collect the instalment due at the end of December 2024, so First Central said the policy would be cancelled should they be unable to collect it. First Central couldn't collect the instalment and, payment not having been made, they cancelled the policy towards the end of January 2025.

Following cancellation, First Central calculated a net balance due of £655.43 (a total cost of the policy of £1,182.00 less a total of £526.57 Miss B had paid towards the policy). This included the time Miss B was on cover with the policy as well as a non-refundable arrangement fee (£50), a cancellation fee (also £50) and the interest charge for paying monthly (£156). They also confirmed ancillary covers were payable in full on cancellation (as First Central paid for them in full and received no refund). First Central emailed Miss B a breakdown of the cancellation cost on the date the policy was cancelled.

¹ These included: legal expenses cover (£32.00), excess protection (£27.99), breakdown assistance (£93.99) and personal accident cover (£15.00).

Miss B was unhappy at the cost of cancelling the policy and First Central's explanation of the balance due from her on cancellation. So, she complained.

In their final response, issued in February 2025, First Central didn't uphold the complaint. They referred to the sequence of events and their calculation of the balance on cancellation. Having reviewed the case, they concluded the balance had been correctly calculated. But they also accepted the overall service provided to Miss B had been poor and they could have been more helpful. Explanations provided during calls with Miss B had been poor, for which they apologised. They also accepted an email sent to Miss B just before the cancellation had been unclear and caused confusion to her.

In recognition of the shortcomings, First Central offered to pro rata the cost of the ancillaries, so Miss B only paid for the time the policy was in force. This meant £85.16 was removed. They would also remove the £50 cancellation fee and offered £100 compensation for the stress and inconvenience she'd suffered. In total, this meant £235.16 would be deducted from the outstanding balance, leaving £420.27 due.

Miss B challenged the figures in First Central's final response, believing them to be incorrect. But she didn't receive a response, so she complained to this Service. She didn't think the accumulated costs and charges reconciled to the payments she'd made or the policy terms and conditions. She'd asked First Central for further clarification and explanation but hadn't received a response. And she was concerned at the prospect of being referred to a debt collection agency. She was very stressed at the situation and First Central's lack of response in resolving matters. She wanted First Central to clear any debt they thought she owed.

Our investigator upheld the complaint, concluding First Central hadn't acted fairly. She noted the policy documentation stated that in the event of cancellation, First Central would return any premium, including the deposit, paid for the policy less a charge for the number of days on cover, any fees due and finance charges under a credit agreement (and any other amounts owed to First Central under any other contract). Additional covers would be governed by the specific policy wording that applied. Having regard to the policy wording, the investigator concluded First Central acted within them by charging for days on cover, together with fees for arrangement, administration and cancellation.

However, the investigator didn't think it fair the ancillary charges were payable in full on cancellation as the policy didn't state this. (only that no refund would be due after 14 days). But it was fair for First Central to pro rata the time on cover for the ancillaries, thereby removing £85.16 from the outstanding balance. On the telematics fee, the policy documentation didn't make it clear the fee wouldn't be refundable on cancellation, which should have been made clear to Miss B when she took out the policy.

More generally, the investigator wasn't persuaded, having reviewed the calculations of the balance due on cancellation from both Miss B and First Central, that First Central's calculations were correct for the days on cover (181 days). And First Central had only factored in four instalments paid by Miss B, whereas she had made five instalments. And they had omitted a £15 fee paid for missing an instalment.

To put things right, the investigator thought First Central should recalculate the balance due on cancellation, to charge Miss B a pro-rata amount for the days on cover and the ancillaries, plus interest, and removing the £25 telematics fee. Should the recalculation lead to a refund, First Central should add interest from the date of cancellation to the date it made any refund. First Central should also remove the £50 cancellation fee and pay the £100 compensation (as they'd offered to do).

First Central disagreed with the investigator's view and requested that an ombudsman review the complaint. They provided a revised calculation of the balance due on cancellation, including the amounts they had already agreed to adjust, that came to £417.63. They added that balances due on cancellation were system-generated and customers charged for time on risk only. They also noted Miss B hadn't made an instalment payment due at the end of December 2024, meaning she had only made four instalments – not five. They also said it was clear from the schedule of fees provided prior to a policy being taken out that the £25 annual telematics fee was non-refundable.

Miss B also disagreed with the investigator's view and asked that an ombudsman review the complaint. She provided evidence of having made five instalment payments between September and December 2024.

In my findings, overall, I didn't think First Central's calculation of the cost of the policy up to cancellation was clearly unfair or unreasonable, or contrary to the policy terms. However, the evidence from Miss B about payments from her bank account indicated First Central hadn't taken account of one payment of £105.31 made by Miss B in September 2024. So, I concluded First Central haven't acted fairly in this respect, when calculating the balance owed by Miss B. To put things right, I thought First Central should recalculate the balance owing on cancellation of the policy to take account of the additional payment recorded in Miss B's bank account.

I also considered First Central's award of £100 compensation for shortcomings in their handling of the cancellation. Having regard to the points made by Miss B about the impact of what happened and the published guidelines from this Service on awards for distress and inconvenience, I concluded this was fair and reasonable.

Because I reached different conclusions to those of our investigator, I issued a provisional decision to give both parties the opportunity to consider matters further. This is set out below.

What I've provisionally decided – and why

I've considered the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

My role here is to decide whether First Central have acted fairly towards Miss B.

The key issue in Miss B's complaint is how First Central calculated the balance due on cancellation of her policy in January 2025. Miss B challenges First Central's calculation, saying it doesn't reconcile with the payments she made towards the policy, nor with the policy terms and conditions. First Central maintain they calculated the balance correctly, saying the amounts were system generated, as is their standard practice on policy cancellations.

In looking at the respective positions from Miss B and from First Central, I've reviewed their own calculations and the supporting evidence, including the relevant policy terms and conditions. These are necessarily complex, given the number and range of individual elements, particularly the ancillary covers in place (which have their own terms and conditions, including where a policy is cancelled) and the different fee elements included within the calculations. I've also considered First Central's response to Miss B's complaint, in which they offered to refund part of the cost of the ancillary covers, the cancellation fee and a £100 compensation figure for the stress caused by the way they handled the cancellation.

As the complaint arose from First Central's initial calculation of the balance they said was owed by Miss B on cancellation, I think it would be helpful to set this out, as a starting point for my consideration and conclusions.

Total Cost of your policy	£
Cost for 181 days of cover	672.02
Interest for paying monthly	156.00
Arrangement Fee	50.00
Telematics Fee	25.00
Legal Expenses	32.00
Excess Protection	27.99
Breakdown (Roadside, Recovery & At Home)	93.99
Personal Accident	15.00
Default fees (for any late payments)	30.00
Admin fee (for making any changes During the year)	30.00
Cancellation fee	50.00
Total	1,182.00

The amount you've already paid to us

Deposit paid	90.27
Instalments paid	436.30
Total	526.57

Total to pay 655.43

Looking at each element in turn, I've drawn the following conclusions from the respective views of Miss B and First Central, alongside the relevant policy terms.

Cost for 181 days on cover

First Central say this is a system generated figure, which means it isn't possible to re-perform precisely. However, I've noted the original total policy cost was £1248.88 (as evidenced by the credit agreement). When Miss B called First Central in December 2024 to update her licence, she was told the cost of the change was £1,093.61 (which she accepted). Adding the cost of change to the remaining instalments meant they increased to £272.68. At the date of cancellation, the time on cover would comprise days at the original cost and a balance of days at the updated cost. The latter number of days would have been smaller, so I don't think the figure from First Central is unreasonable.

Interest for paying monthly

Again, I don't think this figure unreasonable. The policy terms provide, on cancellation, for the return of any policy premium, **less** (my emphasis) 'any credit finance charges due under a credit agreement'.

Arrangement Fee and Annual Telematics fee

The policy terms make it clear the £50 arrangement fee and £25 Annual Telematics fee are both non-refundable, so it was fair to include them in the cost of the policy.

Legal Expenses/Excess Protection/Breakdown (Roadside, Recovery & At Home)/Personal Accident

The individual policy terms provide for these fees to be non-refundable in the event of cancellation. However, First Central offered to pro rata the cost for the time spent on cover in their final response. The total of these four elements for the policy was £168.98. Applying a pro rata refund based on 184 days unused (it is agreed Miss B spent 181 days on cover) then $184/365 \times £168.98 = £85.18$. First Central made the pro rata refund calculation on each element separately, which I think accounts for the immaterial difference compared to their refund figure of £85.16. As Miss B has only been charged for the time on cover, I think this is fair and reasonable.

Default Fees (for any late payments)

I can see a fee was applied in September 2024 and again in January 2025 (for non-collection of the instalment due at the end of December). At £15 per fee, I think £30 is fair and reasonable to apply to the calculation.

Admin fee (for making any changes)

£30 is chargeable for any policy adjustments, which in this case would be for Miss B updating her policy to reflect her change of licence status. The fee of £30 is mentioned in the call with First Central when she told them of the change of licence status. So, it's reasonable to include this fee in the calculation.

Cancellation Fee

The policy terms provide for a £50 cancellation fee where a policy is cancelled after 14 days. However, First Central have offered to cancel this fee as part of their final response. It's their decision, but I think it's fair and reasonable in the circumstances of the case.

Overall, taking these individual conclusions together, I don't think First Central's calculation of the cost of the policy up to cancellation is clearly unfair or unreasonable, or contrary to the policy terms.

Turning to the 'amount you've already paid us' section of the cancellation, I've again looked at the individual elements.

Deposit Paid

The figure of £90.27 is supported by the evidence and the calculations provided by Miss B and First Central. It also accords with the figure set out in the Credit agreement covering to policy at inception. So, it's inclusion is fair and reasonable.

Instalments Paid

Here is where there appears to be a difference between Miss B and First Central.

First Central record a figure of £436.30, which comprises one instalment of £105.31 followed by three instalments of £105.33 (which they record as instalments one to four under the original policy and credit agreement). However, Miss B says she made five instalments totalling £526.61. Comprising two instalments of £105.31 followed by three instalments of £105.33. These were in addition to the deposit. The difference is £105.31.

Miss B has provided a screenshot from her bank account of the transactions with First Central which shows direct debit payments over the period covered by the policy. There are payments of:

£105.31	2 September 2024
£105.31	10 September 2024
£15.00	10 September 2024
£105.33	1 October 2024
£105.33	31 October 2024
£105.33	2 December 2024

The payment of £15 on 10 September 2024 would appear to be a late payment fee. Together with the £105.31 taken on the same date, this appears to agree with what First Central record as Instalment one. The three payments of £105.33 agree to what First Central record as instalments two to four.

I don't have any reason to doubt the veracity of the evidence provided by Miss B about the payments made from her bank account to First Central. Our investigator shared the screenshot with First Central, who acknowledged the payments collected on 2 September, 1 and 31 October and 2 December. However, they made no mention of the payment recorded on the screenshot dated 10 September.

On the face of it, therefore, the evidence indicates First Central haven't taken account of one payment of £105.31 made by Miss B in September 2024. So, I've concluded First Central haven't acted fairly in this respect, when calculating the balance owed by Miss B.

To put things right, First Central should recalculate the balance owing on cancellation of the policy to take account of the additional payment recorded in Miss B's bank account, given the evidence indicates it was made by her on the date in question. Or they should provide clear evidence to the contrary, which they have not to date provided, when presented with the screenshot of Miss B's bank account transactions. My understanding is that Miss B hasn't made a payment of the outstanding balance, so any recalculation would simply adjust the balance she owes, which in this case would be a reduction in the balance. As she hasn't made a payment, then she hasn't lost the use of any funds, so I'm not minded to apply an interest charge.

The other aspect of First Central's response to Miss B's complaint was their award of £100 compensation for shortcomings in their handling of the cancellation. I've seen First Central's detailed assessment of their handling, and it sets out several shortcomings. Having regard to these, the points made by Miss B about the impact of what happened and the published guidelines from this Service on awards for distress and inconvenience, I've concluded this is fair and reasonable. So, I won't be asking them to increase the award.

My provisional decision

For the reasons set out above, my provisional decision is that I intend to uphold Miss B's complaint. I intend to require First Central Insurance Management Limited to:

- Recalculate the balance owing on cancellation of the policy to take account of the additional payment recorded in Miss B's bank account, given the evidence indicates it was made by her on the date in question.

First Central responded to question whether there was an additional payment by Miss B. They said they had reviewed the screenshot evidence from Miss B alongside their records to understand the two September 2024 payments. From this, they thought what happened was they attempted to collect the instalment due on 2 September, were unsuccessful, so

attempted to collect the instalment again and were successful on 10 September (as well as a £15 late payment fee). They thought the screenshot from Miss B showed attempted (as opposed to successful) collection of instalments.

While holding this view, First Central said that if Miss B could supply a copy of a formal bank statement covering September 2024 and it showed a payment on 2 September, as well as the payment on 10 September, they would accept the payment was made and recalculate the balance due on cancellation (as the provisional decision had concluded).

Given First Central's response, we shared it with Miss B with a request for a bank statement showing the transactions on her account during September 2024.

Miss B acknowledged the request, but despite reminders, didn't respond to our request by the [extended] date requested..

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.

My role here is to decide whether First Central have acted fairly towards Miss B.

I've considered the response from First Central showing the instalments collected, specifically those in September 2024, which is where my provisional decision focused. I'm persuaded, in the absence of evidence from Miss B in the form of a bank statement (as opposed to a screenshot), that First Central attempted to collect the instalment on 2 September but were unsuccessful. But they collected the instalment on 10 September, together with a late payment fee (which would be consistent with failing to collect the first instalment due on 2 September).

So, I can't conclude there was an additional instalment in September 2024 that would lead me to require First Central to recalculate the balance due on cancellation. Should Miss B subsequently provide a bank statement, then I would expect her to provide it to First Central and – in accordance with their offer in response to my provisional decision – for them to recalculate the balance due.

My final decision

For the reasons set out above, my final decision is that I don't uphold Miss B's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss B to accept or reject my decision before 31 December 2025.

Paul King
Ombudsman