

The complaint

Mr L complains that First Central Underwriting Limited is unfairly trying to recover a sum for the salvage value of his old car from him, following a claim on his motor insurance policy.

What happened

First Central insured Mr L's car. He was in an accident in May 2023. He claimed on his policy and First Central deemed the car to be a total loss. First Central didn't initially pay the claim. It told Mr L on 30 May 2023 that it had voided (cancelled as if it hadn't existed) his policy because he hadn't declared some modifications to the car. It later told him he would need to collect the salvage from its salvage agents.

Mr L complained about First Central's decision to void the policy. Around the same time, on 29 June 2023, he sold the car's salvage. On 3 July 2023, First Central rang Mr L. It told him that it had reversed its decision to void the policy and would deal with the claim. It subsequently settled the claim for the total loss of the car on 10 July 2023. But it didn't make a deduction for Mr L retaining (and selling) the salvage. Nine days later having identified its mistake, it contacted Mr L and told him he would have to pay it the £1,416.81 it would have received from its salvage agents for the salvage. Mr L refused to repay it.

On 21 July 2023 First Central replied to Mr L's complaint about the events surrounding the voidance of his policy. It upheld the complaint and awarded him £450 compensation. It did not address the issue of the salvage at that time but it did say that it would contact him concerning the overpayment.

First Central contacted Mr L sporadically over the coming months chasing him for repayment of the salvage value. In April 2025 it told Mr L that if he didn't contact it to arrange payment, it would take legal action against him. Mr L complained. First Central acknowledged that it had caused Mr L some inconvenience and sent him a cheque for £75 compensation in respect of that. But it said he would need to repay the sum owed.

Mr L brought his complaint to the Financial Ombudsman Service. One of our Investigators looked into it. He didn't think First Central needed to take any further action.

Mr L disagreed with our Investigator's complaint assessment. He also referred to other out of pocket expenses he'd incurred in 2023 when his policy was voided. Those included a £50.86 fee for temporary insurance and a £90 fee he'd had to pay to First Central's salvage agents to recover his car. Our Investigator put these issues to First Central. It agreed to reimburse Mr L for those costs.

Mr L remained dissatisfied so, as the matter hasn't been resolved, it's been put 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.

Mr L has continued to raise complaints about First Central's initial decision to void his policy in 2023 and the impact that's had on him. However, First Central considered the majority of those points when it replied to his complaint in July 2023. When doing so it told him that if he

remained dissatisfied he had six months to put those matters to this Service or it wouldn't give us its permission to consider them. As he didn't bring his complaint within six months, according to our rules, those matters are now out of time, so I can't consider them here.

Therefore, in this decision I will focus on the issue at the heart of Mr L's current complaint – First Central's attempts to recover the car's salvage value from him.

Like most motor insurance policies I'm aware of Mr L's policy said that once First Central had settled a claim for the total loss of his car, the car's salvage would become its property.

Although not stipulated in the policy, where a consumer requests to keep the car – and it's safe to be repaired and returned to the road – insurers will generally allow the consumer to keep the car. When that happens the insurer will usually reduce the claim settlement by the amount it could expect to sell the salvage for.

In this case, when First Central told Mr L it would pay him to settle the claim it also told him it would make arrangements for its salvage agents to collect the car from him. But this didn't happen as, by that point, Mr L had already sold the car on. He told us that he sold it for between £300 and £400 but he hasn't been able to provide any evidence of who he sold it to or how much he received for it. And I haven't seen any evidence that he told First Central, at that time, that he'd actually sold the car and had already informed DVLA he was no longer its owner. If he'd done so, it's likely some of the issues he faced later could have been avoided.

When First Central contacted him, nine days later, Mr L refused to refund the salvage value. But I don't think First Central did anything wrong in asking for it back. I need to be clear that it was First Central who made a mistake in the first place. It should have found out whether or not Mr L still had the car and was willing to return it before settling his claim. Mr L is not an insurance expert and may have been, at that point, entirely unaware that an insurer would usually deduct a salvage value when the salvage has not been kept by the insurer.

Also, it's likely that if Mr L could provide evidence of the actual sum he received for the car at that time then First Central would have deducted that amount from the settlement. And if that had happened then First Central wouldn't be chasing Mr L for payment now. So, again, I'm satisfied that the initial mistake was First Central's. But, having made that mistake, not unreasonably in my view, First Central sought to rectify it by contacting Mr L and asking him to repay the salvage value.

In this case it seems that Mr L thought that First Central should just bear the impact of its own mistake in not deducting the salvage value from the claim settlement. I understand he was still very unhappy about First Central's service but I don't think that would be fair.

If an insurer underpays a claim I would expect it to put things right by paying the consumer any shortfall. Similarly, when an insurer's mistake results in an overpayment to a consumer, I don't think there's anything fundamentally unfair about it seeking to recover that overpayment. Although I think it should do so in a reasonable manner, recognising any potential hardship to the consumer and, where appropriate, negotiating reasonable repayment terms. But given that the amount was paid as a lump sum, I don't think there's anything wrong, as a starting point, in First Central asking for that sum back in one payment. But in this case Mr L simply refused to engage with First Central about the salvage value. And that has clearly caused matters to carry on for longer than might otherwise have been the case.

First Central's subsequent contact with Mr L about the matter has been sporadic. It told him in July 2023 that it would contact him about the overpayment. It then chased him for repayment in September and October 2023. He didn't reply. There was then a significant gap until July 2024 when it sent him another reminder to make payment. Again I've seen no evidence he replied. First Central then wrote to him in December 2024. It asked him to contact it to discuss payment options. But I can't see that he did so. In April 2025 it

contacted him again and warned him that it could instigate legal proceedings if he didn't reply. That prompted him to complain.

I acknowledge that First Central's attempts to contact Mr L about the matter have been infrequent and somewhat erratic. But it hasn't at any point told him that it was not pursuing him for those funds. And while the matter has now spanned some years, that could likely have been avoided if Mr L had engaged with First Central at an early stage.

I'll add that Mr L's told us he's found dealing with First Central stressful and he says it's made him ill. And whilst I can understand why this situation may not have been a pleasant one for Mr L to deal with, I don't think it's entirely First Central's fault that the matter is not yet put to bed. As I've said above I think it was reasonable for First Central to want to recover the sum it's overpaid. And given that Mr L didn't engage with it, it had few other options other than to chase him for the outstanding balance. So I don't think it would be fair to attribute all of the stress and other issues Mr L's facing to First Central's handling of the matter.

That said as I've mentioned above, it was First Central's initial mistake in not checking the status of the car's salvage before paying Mr L that caused the situation to happen. But it identified that mistake after only nine days. Matters have only taken longer than that because Mr L didn't wish to engage with it.

Also when First Central responded to Mr L's complaint it offered £75 compensation for the impact of that error. I think that's a reasonable sum in the circumstances given that it took steps to put things right fairly quickly. I understand that Mr L doesn't think that sum goes far enough. But, as I've said above I can't consider the impact of First Central's decision to void the policy now when thinking about compensation. And it did act reasonably quickly to try to address its error with the salvage value. And if it had approached the matter more regularly and aggressively – given that he didn't want to pay the outstanding sum or engage with First Central – I'm mindful that the impact on Mr L would have been greater. So I don't think it needs to increase the compensation payment it offered.

Additionally I note that First Central has agreed to refund Mr L the additional out of pocket expenses of around £140 that he incurred in July 2023. I think that's a reasonable offer in the circumstances.

I'll add that our Investigator also commented on Mr L's complaint about First Central's delays in responding to a subject access request (SAR). As Mr L is aware, the appropriate authority to complain to about data protection rights is the Information Commissioner's Office. However, for completeness the evidence I've seen shows that Mr L submitted his SAR on 2 June 2023, which First Central replied to, before the deadline for doing so, on 28 June 2023. Mr L continued to correspond with it and it sent a further reply on 1 August 2023. But given that its formal SAR reply was in time I don't believe it delayed in sending this.

Putting things right

I understand that Mr L did not cash First Central's £75 compensation cheque. So, given that I think that was an appropriate sum for it to pay, if Mr L accepts my decision, I will require First Central to reissue that payment to him.

I also note that First Central has offered to reimburse Mr L for the out of pocket expenses he incurred in June 2023 which were:

- £50.86 for temporary insurance; and
- £90 he was required to pay to salvage agents.

I think it's fair that First Central reimburses those sums now if it hasn't already done so.

My final decision

I require First Central to take the steps set out under the heading putting things right above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr L to accept or reject my decision before 14 January 2026.

Joe Scott
Ombudsman