

The complaint

Mr H has complained that First Central Underwriting Limited unfairly cancelled his car insurance policy. He's unhappy that First Central says he owes a balance which it has passed to a debt recovery agent.

What happened

Mr H renewed his car insurance policy with First Central on 25 April 2024. The first payment was collected early by First Central. It had been agreed with Mr H to collect the payment on 30 April 2024. So First Central agreed to refund the payment, and to collect it again on 30 April 2024. However, the bank rejected First Central's request for the payment a second time.

Mr H made subsequent monthly payments for his policy, but he didn't pay the initial premium due on 30 April 2024. So on 16 December 2024 First Central wrote and emailed Mr H. It said if he didn't pay the missed premium due in the next fourteen days his policy would be cancelled.

First Central didn't hear from Mr H and so it cancelled the policy on 3 January 2025. A claim had been made against the policy in November 2024. As a claim had been made, Mr H owed the remaining balance for the policy year on cancellation. First Central settled Mr H's claim by paying a total loss settlement for his car. So First Central requested a final balance payment of £883.33.

As it didn't receive the balance owed on cancellation from Mr H, First Central passed the debt to a debt recovery agent.

In May 2025 Mr H complained to First Central. First Central upheld the complaint in part. It said it had fairly cancelled the policy and had given Mr H reasonable notice of cancellation if he didn't pay the outstanding premium due. But it said some of its communication in calls could have been better.

To resolve the complaint, First Central waived £250 from the balance by way of compensation for the distress and inconvenience caused by its poor communication.

Mr H remained unhappy and asked us to look at his complaint.

In the second of two views, one of our Investigators thought First Central had acted reasonably.

Mr H disagrees. In summary he says he didn't receive a cancellation notice letter from First Central. He says he spoke to First Central in April 2024 about the initial payment and it told him not to worry about it. So Mr H doesn't believe he owed the premium as it was First Central's error (collecting the payment early) that led to the missed premium.

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.

First Central accepts it could have handled calls between it and Mr H better. It seems the first time First Central contacted Mr H about the missed premium since April 2024 was in December 2024. I think it could have contacted him sooner about this. However, I think First Central has shown it contacted Mr H by both post and email and gave reasonable notice of cancellation. I think it gave Mr H a further opportunity to pay the missed premium to prevent the cancellation of his policy.

I understand Mr H says he didn't receive a letter or email. But I'm satisfied from the information provided by First Central that it emailed and wrote to Mr H on 16 December 2024. So I can't hold it responsible for Mr H not receiving their communication using two different methods. Our Investigator forwarded a copy of the email to Mr H. The email address First Central used us the same one Mr H gave us to look at his complaint.

Where an insurer has paid a claim, if a policy is cancelled before the end of the yearly contract, the full year's premium is due. As Mr H has benefitted from the policy, he correctly owes the balance due. First Central set out this term in the policy wording. This isn't an unusual term and applies to all motor insurance policies I've seen.

I find First Central's decision to reduce the balance owed by £250 by way of compensation to be fair for the times when its communication could have been better.

I think First Central has done enough to resolve Mr H's complaint.

I understand Mr H will be disappointed with my decision. But this means I'm not upholding the complaint.

My final decision

My final decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H to accept or reject my decision before 30 January 2026.

Geraldine Newbold
Ombudsman