

The complaint

Mr K complains about the way First Central Underwriting Limited (First Central) handled the claim he submitted under his motor insurance policy.

What happened

The circumstances of this complaint will be well known to both parties and so I've summarised events.

Mr K held a motor insurance policy which was underwritten by First Central. His policy also included 'key assist' cover if his car keys were lost, stolen or damaged, but this cover was provided by a separate insurer.

Mr K had an issue with his key and so reported a claim under the key assist section of his policy. Mr K's vehicle was recovered to the vehicle main dealer, but they were unable to resolve the issue despite a new key being ordered.

In February 2024 Mr K called First Central to explain what had happened and he was told First Central would declare the vehicle a total loss. However, when Mr K spoke with First Central again it said it had no record of this. Mr K raised a complaint.

In the meantime, the main dealer told Mr K it couldn't keep his vehicle on site and so it had been moved to the street. Mr K has said as he was unable to access the vehicle he was unable to tax and MOT it. He said eventually the vehicle was taken and destroyed by the DVLA.

On 10 October 2024 First Central issued Mr K with a final response to his complaint. It said it had now agreed to write off Mr K's vehicle and pay 8% interest on the settlement due to the delays. It also said it would pay Mr K £350 compensation.

Mr K was in further discussion with First Central regarding items he said were in his vehicle when it was destroyed and the fine he received due to his vehicle being untaxed. First Central agreed to pay Mr K £250 towards his personal belongings as this was the limit under the policy. It also agreed to pay a further £25 compensation due to delays. Mr K asked this Service to consider his complaint.

Our Investigator looked into things but didn't uphold Mr K's complaint. She said she thought First Central's agreement to treat Mr K's vehicle as a total loss, the total of £375 compensation and £200 for personal belongings was reasonable in the circumstances.

Mr K didn't agree with our Investigator. He said due to the delays by First Central his vehicle was scrapped and he was unable to take the personal belongings from his vehicle. He said First Central told him his claim would be invalidated if he broke into the vehicle to retrieve his belongings. He also said he was still waiting to receive reimbursement for the recovery of his vehicle and the fine he incurred from the DVLA.

I wrote to both parties in relation to the outstanding recovery invoice and DVLA fine. I said

First Central had agreed to consider the invoice Mr K had now provided for the recovery of his vehicle, and if payable, would pay this under the claim. And I thought this was reasonable in the circumstances. I also said I wasn't intending to require First Central to reimburse Mr K the fine he had received from the DVLA.

First Central said it hadn't seen the recovery invoice previously, but if Mr K provided evidence he had paid this it would consider this. Mr K didn't provide any further comments or evidence for me to consider.

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.

I want to acknowledge I've summarised Mr K's complaint in less detail than he's presented it. I've not commented on every point he has raised. Instead, I've focused on what I consider to be the key points I need to think about. I mean no discourtesy by this, but it simply reflects the informal nature of this Service. I assure Mr K and First Central I've read and considered everything that's been provided.

First Central has acknowledged it has made errors when handling Mr K's claim. It has agreed to pay Mr K a settlement for the total loss of his vehicle, alongside 8% per year simple interest, as well as paying him £375 compensation and £200 for the loss of his personal belongings. So, I've considered whether I think this is reasonable in the circumstances.

It's not disputed that when Mr K spoke with First Central in February 2024, it told him it would treat his vehicle as a total loss. Having reviewed the terms of Mr K's policy I'm satisfied this was an error. Mr K's policy provides him with cover if his vehicle is accidentally damaged. It also specifically excludes claims related to electrical or mechanical issues. The evidence provided suggests the issues Mr K was experiencing with his vehicle were related to some form of electrical or mechanical issue with his vehicle, not due to an accident.

I've considered the position Mr K would have been in had First Central made him aware his claim wouldn't be covered in the first instance. Mr K has said the main dealer believed the costs to identify and repair the issue with his vehicle were likely to be significant. So, I think it's likely Mr K would have either had to pay a significant amount to repair his vehicle, or would have had to sell or scrap his vehicle privately. But given he didn't have a working key, it's highly unlikely he would have received market value for his vehicle.

So, I think First Central's agreement to treat Mr K's vehicle as a total loss, alongside 8% interest, is more than reasonable in the circumstances. I think this places him in a better financial position than he would have been had First Central not provided him with incorrect advice.

Mr K has said his vehicle was placed roadside by the main dealer but as he was unable to access it, he was unable to renew his tax and MOT. This resulted in his vehicle being scrapped by the DVLA and him incurring a fine of around £90.

Whilst I acknowledge during this period Mr K was in discussions with First Central about his complaint, I'm satisfied at the point Mr K's vehicle was left roadside by the main dealer, First Central had made him aware it wasn't dealing with his claim. Additionally, I'm persuaded the responsibility to ensure the vehicle was taxed or declared off road was Mr K's. I've also taken into consideration that the costs Mr K would have incurred to recover, tax and MOT his vehicle would have been significantly more than the fine he had to pay from the DVLA. So, I

don't require First Central to reimburse Mr K the costs he incurred due to his vehicle being untaxed and without a valid MOT.

First Central has agreed to pay Mr K £250 toward his personal belongings he said were in the vehicle when it was taken by the DVLA. This is in line with the policy limit for personal belongings. Mr K has said his personal belongings in the vehicle were worth more than that, such as DJ equipment he purchased for over £5,000. He also said he was told by First Central that his claim would be invalidated if he broke into the vehicle to retrieve his personal belongings.

As I've explained, strictly speaking Mr K's claim wasn't covered under the terms of his policy, and I think it was Mr K's responsibility to ensure his vehicle was taxed. I've also listened to the phone calls Mr K had with First Central, and I'm not persuaded First Central told Mr K his claim would be invalidated if he broke into his vehicle to retrieve his personal belongings. So, whilst I appreciate it would have been disappointing for Mr K to have lost his personal belongings, I think First Central's agreement to pay up to the policy limit of £250 is more than reasonable in the circumstances.

First Central has paid Mr K around £160 for the recovery of his vehicle to the main dealer. He has now provided a further invoice for £140 which appear to be for the specialist skates required for this recovery. First Central has said if Mr K can provide it with evidence he has paid this cost it is happy to consider this, and if payable, pay this as a claim cost. I think this is reasonable in the circumstances.

I think it's clear the way First Central has handled this situation has caused Mr K considerable distress and unnecessary inconvenience. It provided him with incorrect advice about his claim and then failed to appropriately investigate this for a number of months despite Mr K's regular chases.

Taking everything into consideration I think the total compensation of £375 First Central has paid to acknowledge the distress and inconvenience Mr K has experienced is reasonable. I think compensation of this amount is reasonable in circumstances where a business's errors caused considerable distress taking a reasonable amount of effort to resolve, which I think is the case here. I've also taken into consideration that I think First Central's agreement to accept Mr K's claim as a total loss, pay 8% interest and pay £250 for his personal belongings is more than reasonable in the circumstances.

I know this will be disappointing for Mr K, but for the reasons I've explained, I don't uphold his complaint about First Central.

My final decision

For the reasons I've outlined above, I don't uphold Mr K's complaint about First Central Underwriting Limited.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr K to accept or reject my decision before 24 February 2026.

Andrew Clarke
Ombudsman