

The complaint

Mr M complains about the way First Central Underwriting Limited (First Central) handled and responded to a claim under his motor insurance policy.

What happened

I looked at this case and provided my initial thoughts in my provisional decision as follows:

The circumstances of this case are well known to both parties, but in summary, Mr M was involved in collision in August 2024 and raised a claim on his motor insurance policy, underwritten by First Central.

First Central said it would cover the claim as an Article 75 Insurer, meaning it would only cover the uninsured losses of the third party driver, as it said the accident took place at Mr M's workplace, and he didn't have cover for commuting – so his claim wasn't covered under the policy.

Mr M said during First Central's investigations, he was given misleading information, experienced poor communication, and was told the claim decision had been overturned when it hadn't. This caused significant worry and distress when the decision was later corrected. Mr M also said First Central failed to consider his mental health and its actions had a significant impact on his health. So Mr M complained to First Central.

Unhappy with the outcome, Mr M referred his complaint to this Service. Our Investigator upheld the complaint in part as while they considered the claim decision to be fair, they didn't think £375 fairly reflected First Central's service based on the individual circumstances of the case. So, they recommended First Central increase its overall compensation to £575 in total.

First Central agreed with our Investigator, however Mr M didn't. In summary, Mr M said the compensation awarded doesn't reflect the extreme impact of First Central's actions on him and his well-being. Mr M also said First Central should honour the claim in line with its previous advice.

So, the case has been passed to me to decide.

What I've provisionally 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 recognise I have summarised Mr M's complaint in less detail than presented. But I'd like to assure both parties that I have considered their submissions in full. My decision won't comment on each point raised or each piece of evidence but will instead comment on the issues I consider to be key to the case. This isn't intended as a discourtesy but reflects the informal nature of this Service – and the rules the Service are expected to adhere to enable me to do this.

Having considered everything presented to me, I intend to uphold the complaint. I'll explain why.

The claim decision

First Central said Mr M's claim isn't one covered under the policy as the incident occurred at his location of employment – and he didn't have cover for commuting. So, the event claimed for here isn't one covered under the policy. But I don't agree.

During the sale, First Central asked Mr M what he intended to use his vehicle for and in response made a mistake by selecting social, domestic and pleasure, rather than social, domestic, pleasure and commuting. So, there was a misrepresentation at the point of sale.

The relevant law in this case is therefore The Consumer Insurance (Disclosure and Representations) Act 2012 (CIDRA). This requires consumers to take reasonable care not to make a misrepresentation when taking out a consumer insurance contract (a policy). The standard of care is that of a reasonable consumer.

And if a consumer fails to do this, the insurer has certain remedies provided the misrepresentation is - what CIDRA describes as - a qualifying misrepresentation. For it to be a qualifying misrepresentation the insurer has to show it would have offered the policy on different terms or not at all if the consumer hadn't made the misrepresentation.

CIDRA sets out a number of considerations for deciding whether the consumer failed to take reasonable care. And the remedy available to the insurer under CIDRA depends on whether the qualifying misrepresentation was deliberate or reckless, or careless.

I've looked at the questions asked by First Central when Mr M applied for the policy through a comparison website. This included "What do you use the car for?" Mr M answered "Social, domestic and pleasure."

First Central said this wasn't a misrepresentation as Mr M intentionally made the decision to not include commuting cover – and so CIDRA doesn't apply. I don't agree. Mr M wasn't instructing First Central on the level of cover he wanted but instead responded to a question he was asked by First Central so it could underwrite his policy. Mr M has explained he always intended for commuting to be included but the failure to include this was an innocent mistake. I'm therefore satisfied that Mr M failed to take reasonable care in response to the question and made a misrepresentation when taking out the policy – so I find that CIDRA does apply.

The next step is to establish whether this was a qualifying misrepresentation. I've asked First Central on a number of occasions to demonstrate what impact the failure to include commuting cover had on the policy – for example an increased premium or amended policy terms. But it didn't provide this as it doesn't agree CIDRA applies. So First Central hasn't shown that the misrepresentation is qualifying.

First Central hasn't said it wouldn't have offered cover at all. So, I think a policy would have always been offered. But I think it is more likely than not that the inclusion of commuting cover would have had an impact on the premium paid – as it confirmed this information is considered as part of its underwriting process, and it is an additional risk factor. So, it's reasonable to conclude that Mr M's failure to include commuting cover would be a qualifying misrepresentation.

CIDRA says a misrepresentation can be careless, deliberate or reckless. As First Central says CIDRA doesn't apply, it hasn't provided its position on what it considers is the categorisation of misrepresentation to be.

Mr M said he always intended to include commuting cover when purchasing the policy. Following the policy application, Mr M was sent a copy of the policy certificate and statement of fact. There is an onus on a policyholder to ensure the information contained within these documents is correct and accurate, and it's clear Mr M didn't check these documents in full as this would've alerted him to the policy not including commuting cover. But I don't consider this to be a deliberate or reckless action, as it is clear Mr M made a mistake when applying for the policy and I haven't seen anything to suggest Mr M intended to mislead First Central when taking out the policy. So, I find that Mr M made a careless qualifying misrepresentation, rather than deliberate or reckless.

As I'm satisfied Mr M's misrepresentation should be treated as careless, I've looked at the actions First Central can take in accordance with CIDRA.

Under CIDRA, the available remedies depend on whether an insurer would have declined cover, amended terms, or charged a higher premium. As explained above, I find it more likely that the premium would have been affected, meaning the claim should be paid proportionately.

First Central didn't do this and instead declined Mr M's claim due to limitations of cover. This isn't consistent with the remedies available to it under CIDRA and so I don't find that First Central has acted fairly.

It follows that First Central should, in addition to any obligations it has under the Road Traffic Act, pay Mr M's claim proportionately as required under CIDRA. In practice, this means First Central should work out what proportion of the claim it would have paid if Mr M had paid the correct premium for commuting cover.

Customer service

I'm sorry to hear how Mr M's accident impacted him, and I wish him all the best with his ongoing recovery. While some distress naturally follows an accident, I must assess only the distress caused by First Central's handling and its failure to apply CIDRA appropriately. First Central has a duty, under the relevant regulatory rules, to handle claims promptly, fairly and not unreasonably reject a claim.

Our Investigator has set out in some detail the main issues that occurred during Mr M's claim. So, I won't look to revisit these issues in detail again. However, I recognise that First Central's actions exacerbated what was an already incredibly difficult period for Mr M.

Having considered the service issues raised, I agree with the compensation recommended by our Investigator, for much the same reasons.

But I think further compensation should be awarded due to the impact of First Central's decision to decline the claim rather than consider it in line with CIDRA. Had it done so, I find it likely that the overall service Mr M experienced would have been more seamless and would've lessened some of the worry he experienced following quite a traumatic event.

Mr M has said that he experienced threatening behaviour from the third party driver. As I am sure Mr M can appreciate, I can't hold First Central responsible for another individual's actions, but I accept this was a considerably difficult time for Mr M and he didn't have the

support of his insurer as he should have – had the claim been considered under the relevant laws.

So, I think First Central's decision to decline the claim has caused additional significant distress which could have been mitigated had it handled the claim fairly and in line with CIDRA. In addition to the compensation already recommended by our Investigator, I intend to direct First Central to pay a further £300 to recognise the impact of its claim decision which I find to be unfair – bringing the total compensation to £875.

No amount of compensation will change what has happened here. But I think this amount, on balance, fairly and proportionately recognises the impact First Central's actions had on Mr M, taking into account the overall service, the failure to adhere to its vulnerable consumer processes, as well as its decision to decline the claim in full.

Replies

First Central didn't respond to my provisional decision. However, Mr M did.

In summary, Mr M confirmed he partly agreed with my provisional decision but asked for clarification on two points. He said he had evidence that commuting was declared during the application, suggesting its omission was due to the insurer's systems. He also felt the policy documents were misleading because they didn't clearly highlight the absence of commuting cover, which contributed to his misunderstanding and distress.

In addition, Mr M raised concerns about compensation, explaining he has experienced prolonged financial hardship and mental health difficulties, including time off work, reliance on overdraft, and reputational harm. He believes appropriate compensation should include loss of earnings, financial stress, and a formal written apology from the insurer.

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've carefully considered the points raised in response to my provisional decision. Having done so, I have decided to uphold this complaint – however I won't be departing from my original outcome. I'll explain why.

Mr M applied for his policy through a comparison site and so he was required to put in the use of the vehicle in the comparison site as well as with the broker of the policy. If the details Mr M inputted into the site or application were inaccurate, then this would be something that the broker of the policy would be responsible for addressing. In any case, the policy documentation, in my view, clearly set out that commuting wasn't included within the policy. And had Mr M taken reasonable care to check these documents upon receipt, then I think this would have reasonably alerted him to the lack of commuting cover and discuss this with First Central.

Mr M has provided screenshots of the policy which suggests it includes commuting cover; however, these aren't dated so I can't determine if they were from the time of inception, or more recently. It's possible these details could have been amended in response to Mr M's claim and subsequent complaint. So, I won't comment on this further.

In any case, I remain the view that Mr M made a qualifying misrepresentation as I have explained above – and I find that First Central unfairly declined Mr M's claim and should have instead considered it in line with the principles and relevant remedies of CIDRA. As

First Central hasn't provided any evidence to the contrary, this suggests that Mr M's claim will be paid, or at least paid in part.

I recognise Mr M's point that the circumstances of the claim and subsequent complaint have had a significant impact on him. However, I won't be asking First Central to pay any further compensation beyond what I provisionally awarded. I say this as while I am empathetic to the circumstances Mr M has found himself in, I think it is reasonable to conclude that Mr M would've always experienced significant distress and inconvenience due to the events leading to the claim. I acknowledge that First Central's actions exacerbated the distress and inconvenience Mr M experienced, and for this reason I will be directing it to award Mr M £875 in total. I'm satisfied this amount is proportionate and reasonable in the circumstances and in line with awards made in similar circumstances.

My final decision

My final decision is that I uphold this complaint and direct First Central Underwriting Limited to:

- Pay Mr M's claim proportionately in line with CIDRA
- Pay Mr M £875 in total (less any payments it has already made following the complaint) to recognise the distress and inconvenience caused.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 6 February 2026.

Oliver Collins
Ombudsman