

The complaint

Mr M complains First Central Underwriting Limited (First Central) caused delays after he made a claim on his motor insurance policy, and due to this he incurred alternative travel costs because he was left without a car.

First Central are the underwriters of this policy i.e. the insurer. Part of this complaint concerns the actions of the intermediary. As First Central have accepted it is accountable for the actions of the intermediary, in my decision, any reference to First Central includes the actions of the intermediary.

What happened

On 1 March 2025 Mr M made a claim on his motor insurance policy after his car was stolen.

First Central began its claims validation process. Mr M was provided with a hire car for 28 days, as per the optional hire car cover he had added to his motor insurance policy.

Mr M requested to cancel his policy. First Central told him the full policy premium was due. Prior to his claim being settled Mr M cancelled his policy online and a pro rata refund of £75.93 was made to him. When First Central noticed its error in providing the pro-rata refund it requested Mr M pay the required policy premium for the full term of cover. Mr M didn't agree to pay this.

First Central told Mr M it was waiting for a police report. It said once it had this on file it would be in a position to discuss his claim with him.

On 23 May 2025 Mr M's claim was validated and a total loss settlement offer was made to him. The initial offer was increased and payment was made to him in early June 2025.

Because Mr M was not happy with the time taken by First Central to settle his claim, or First Central's request for him to pay his full policy premium, he brought the complaint to our Service.

After the complaint was brought to our Service, First Central made an offer to settle the complaint. It said its validation checks had taken longer than usual, but this wasn't something it could control. It acknowledged it had processed his policy cancellation incorrectly and due to this offered to deduct £200 from the outstanding balance due and didn't expect the refund it had issued incorrectly to be returned. Alternatively, it said it could arrange for £150 to be issued to him. Mr M didn't accept this offer.

Our investigator upheld the complaint. They looked into the case and said they thought the £200 offer of compensation, was fair for the inconvenience caused. They said First Central could have taken steps to request the police report soon after the claim was initially reported and that the claim could've been brought to a close earlier than it had been. They said First Central should consider the costs incurred by Mr M during the final five weeks of the claim for the alternative transport he had needed.

First Central didn't make a response so the complaint has been brought to me for a final decision to be made.

What I provisionally said

When a claim is made, an insurer is entitled to carry out validation checks. In this case I saw evidence of First Central starting its validation process soon after the claim was made. This included the car keys being sent for analysis by a specialist, and validation checks on the original car number plate.

Because Mr M's claim was due to the theft of his car, First Central said it was unable to settle it whilst there was a police investigation into the claim circumstances ongoing. I don't think it's unusual or unfair for it to require evidence from the police in relation to the theft. I saw First Central spoke to the police on 18 April 2025, and were told they had an incident logged and that the case was still ongoing and there were no updates yet.

First Central said it would usually wait for a police report, which can take up to 6 months to obtain, but had decided, after review, to pay this claim without waiting for this evidence. I saw the claim was validated on 23 May 2025 and an initial total loss settlement offer was made to Mr M.

Although I recognise it's not clear from the evidence provided why First Central didn't request the police report sooner than it did, it couldn't have been provided any sooner because it was not available. And after review of the other validation checks it had undertaken and Mr M provided the V5 document, First Central decided to settle the claim without waiting for the police report. I think this was a fair and reasonable way forward which avoided a delay being caused by needing to wait for the police report.

I acknowledge Mr M was without a vehicle after his 28 day hire car ended and I recognise this would have been very inconvenient to him and his family. However, because I'm not persuaded there was any avoidable delay in processing Mr M's claim, I don't require First Central to consider any alternative travel costs which may have been incurred by him after the return of the hire car.

I saw at the start of April 2025 First Central told Mr M because he was making a claim against his policy his full policy premiums were due.

In the terms and conditions of the policy it says;

"Your insurer will not refund any premium if you have made a claim or have been involved in an incident which might give rise to a claim under the policy."

It also says

"11.7 Cancelling your policy

If any of the following apply, you may not receive any refund and you may still have to pay the balance of the full yearly premium and the balance due under your credit agreement.

This applies in all circumstances no

matter what payment method you use.

• You have made a claim in the policy year or a claim has been made against your policy."

First Central accepted there was a system issue that allowed Mr M to cancel his policy online and obtain a pro-rata refund incorrectly. It apologised but said his policy premiums were due in full because of the claim made and he needed to pay these back. I'm satisfied that First Central is entitled to receive the outstanding policy premium balance for the cancelled policy.

I have considered First Central's overall offer in relation to this complaint. It has offered to deduct £200 from Mr M's outstanding policy premiums balance and doesn't require him to pay back the incorrectly refunded premium of £76.93. I think this is a fair and reasonable resolution in the circumstances of this complaint.

Therefore, I intend to uphold Mr M's complaint. By way of compensation for First Central's system error which enabled Mr M to cancel his policy and obtain the pro-rate policy premium refund, I intend to require First Central to reduce the outstanding policy premium balance by £200.

My intended final decision

For the reasons I have given I intend to uphold this complaint.

I intend to require First Central Underwriting Limited to reduce Mr M's outstanding policy premium balance by £200.

Responses to my provisional decision

Neither Mr M or First Central made a response.

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.

As both Mr M and First Central didn't respond, I therefore maintain my provisional decision and I uphold Mr M's complaint.

Putting things right

I require First Central to reduce Mr M's outstanding policy premium balance by £200.

My final decision

For the reasons I have given I uphold this complaint.

I require First Central Underwriting Limited to reduce Mr M's outstanding policy premium balance by £200.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 25 February 2026.

Sally-Ann Harding
Ombudsman