

The complaint

Mr M complains First Central Underwriting Limited (First Central) unfairly cancelled his motor insurance policy.

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

Mr M took out a motor insurance policy with First Central through a price comparison site. When he was involved in an accident in which his car was hit by a third-party, a claim was made. The third-party was held at fault.

When Mr M's car was inspected by First Central's engineer during the claims validation process it was found that the car had non-standard alloy wheels and changes had been made to the exhaust. First Central said he'd answered the question it asked about modifications to his vehicle incorrectly. And it considered this to be a careless misrepresentation, which entitled it to cancel his motor insurance policy. His claim was settled prior to the cancellation.

Mr M brought his complaint to us and our investigator thought it should not be upheld. They agreed there had been a qualifying misrepresentation. They couldn't say First Central's cancellation of his policy was in line with The Consumer Insurance (Disclosure and Representations) Act 2012 (CIDRA) as they would have been entitled to treat his policy as if it didn't exist and not deal with his claim, however as it instead decided to deal with his claim, they thought its actions were fair in the circumstances.

Mr M is unhappy with our investigator's view, because he said he was unaware of the modifications when he took out the policy. Therefore the complaint has been brought to me for a final decision to be made.

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.

The relevant law in this case is 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.

First Central thinks Mr M failed to take reasonable care not to make a misrepresentation when he stated in his application via a comparison site his car had no modifications.

I looked at the question asked. It says “Does the car have any modifications? Mr M answered *No*. I saw there was a link after the question, and before the Yes or No buttons, that said “*What are modifications?*” and this clearly lists alloy wheels – non-standard (after manufacture) and Exhaust/manifold – non-standard as modifications.

Mr M said he didn’t know about the modifications to the car.

First Central has provided evidence by way of its underwriting criteria which shows had Mr M disclosed the modification to his exhaust and non-standard alloy wheels, it wouldn’t have offered cover for the car.

I’d expect First Central to obtain the opinion of experts when making decisions about a car. In this case I saw an engineer’s inspection report found modifications to the exhaust and wheels. It included images which appear consistent with its findings.

When First Central highlighted the modifications to Mr M he said the non-standard wheels were temporarily fitted after the incident to help with moving the car, and I saw First Central accepted his explanation. Mr M said he wasn’t aware the exhaust had been modified. He also said it could’ve been cosmetic or a removeable exhaust tip that didn’t affect the performance. However, a vehicle is considered modified if it has been changed in any way since it was first supplied by the manufacturer, therefore I am persuaded there was some modification to the exhaust.

This means I’m satisfied Mr M’s misrepresentation was a qualifying one.

First Central has said Mr M’s misrepresentation was careless. I agree the misrepresentation was careless, because although he said he wasn’t aware the exhaust was modified, it was his responsibility to provide accurate information when taking out the policy and I don’t think he took reasonable care.

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. Because it would not have offered cover if it had been aware of the modification to his exhaust it can avoid the policy from the point of misrepresentation, which in this case was at inception, return any unused premiums Mr M paid and treat the policy as though it never existed from the point of avoidance and not deal with any claims.

In this case First Central decided it would settle his claim and then cancelled his policy from 12 January 2026. Whilst I acknowledge First Central’s approach isn’t strictly in line with CIDRA, by cancelling his policy rather than avoiding it from the start, it is leaving Mr M in a better off position. Therefore, I agree with the actions taken in this case and think the cancellation of the policy and payment of the claim was a fair and reasonable outcome.

I recognise Mr M would like his policy record to reflect that the cancellation was effectively initiated by himself in response to First Central’s notification of cancellation, rather than it being recorded as an insurer-led cancellation. However, I’m unable to tell it to do this because this isn’t accurate. First Central had to cancel the policy because it couldn’t insure

the car with the modification, and Mr M's request to cancel came after First Central had informed him of this.

Therefore, although I understand Mr M will be disappointed, I don't uphold his complaint.

My final decision

For the reasons I have given I've don't uphold Mr M's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 12 March 2026.

Sally-Ann Harding
Ombudsman