

The complaint

Mr C complains that First Central Underwriting Limited (“1st Central”) mishandled his motor insurance policy.

What happened

For the year from 21 January 2023, Mr C took out a motor insurance policy. The certificate of insurance said that the insurer was 1st Central. An associated insurance intermediary arranged the policy.

Insofar as I hold 1st Central responsible for the acts or omissions of others, I will refer to them as acts or omissions of 1st Central.

Mr C paid about £587.00 in advance for the year.

1st Central later checked the policy details. From late February 2023, 1st Central contacted Mr C. 1st Central asked Mr C to pay an additional premium because he had said he was employed when he was actually self-employed.

Mr C cancelled the policy with effect from 9 March 2023. The intermediary made a refund to Mr C after deducting a cancellation fee.

Mr C complained to 1st Central that he had said he was self-employed and it hadn’t treated him fairly.

By emails dated late April and early May 2023, 1st Central turned down the complaint.

Mr C brought his complaint to us in early September 2023.

Our investigator at first recommended that the complaint should be upheld. He didn’t think there was any evidence to show that Mr C had declared his employment status as ‘employed’. The investigator thought that the cancellation fee wasn’t reasonable. The investigator recommended that the intermediary should reimburse Mr C £100.00 for the cancellation fee.

1st Central drew attention to a statement of fact document.

The investigator changed his view. He no longer recommended that the complaint should be upheld. He thought that the statement of fact showed that ‘employed’ was selected when the policy was taken out. So the investigator no longer thought it fair or reasonable to ask the intermediary to refund the cancellation fee.

Another of our investigators didn’t recommend that the complaint should be upheld against 1st Central. She referred to Consumer Insurance (Disclosure and Representations) Act 2012 (“CIDRA”). She thought that there are circumstances where it may be fair for an insurer to give a consumer an option to pay the additional premium – which 1st Central had done, and she didn’t think they’d acted unfairly or unreasonably in doing so.

Mr C disagreed with that investigator's opinion. He asked for an ombudsman to review the complaint. He says the following:

"My evidence is highly relevant to this case. What you said about acquiring it at a later date makes no difference at all. What matters is it clearly shows the right job status and that I applied for the policy with the correct details. Due to this, everything else is actually irrelevant.

My job status on my First Central account did not show anything when I checked on there either. Which indicates that it was not put down as employed.

You also did not mention the inconvenience that this has caused me, through no fault of my own. Let alone being charged for it.

My car insurance is now out of sync with all my other insurance policies, I now cannot easily take a multi policy plan with one company. I have also lost a couple of months from my potential additional no claims bonus. Then there's all of the time wasting to start everything from the beginning again to go and get insured by someone else, at the last minute and did my new quotes no favours.

What evidence exactly do you have from First Central?

I understand that an insurer can request details at any time during a policy, which is usually when making a claim. But to do it as soon as the cooling off period was finished and then try and charge a ridiculous amount seemed like it was all very intentional and planned out from the start.

They knew I had no choice but to pay either way.

I know for a fact that I put the correct details in so someone in that company must be doing something dishonourable there.

It makes zero sense for me to actually cancel the policy as I still had to pay a lot to leave it instead of just carrying it on for a little bit extra.

But I will never accept anyone operating in this way.

And I'm extremely disappointed in this ombudsman service. You are supposed to be the people who actually help us against these large companies that are clearly taking advantage here.

Getting my leaving fees back is all I requested and it's all a complete waste of my time as it is, especially as this has been going on for nearly a year now.

I care more about how these companies are operating and trying to save the next person from having to go through all of this."

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 Financial Ombudsman Service resolves complaints by consumers against regulated financial firms impartially based on evidence.

CIDRA imposes a duty on a consumer to take reasonable care to avoid making a misrepresentation to an insurer when taking out a policy.

Partly because of the consumer's duty under CIDRA, I accept that 1st Central could carry out checks at any time, during or after the cooling-off period.

Different insurers assess risk and set premiums in different ways at different times. We usually treat underwriting evidence as commercially confidential, and we don't give details in our published decisions.

What I will say is that rather than 1st Central has shown us evidence that it assesses the risk as higher for self-employed policyholders than for employed policyholders. I accept that 1st Central would've charged about £78.00 more if it had known Mr C was self-employed rather than employed. From what I've seen, that held true even though Mr C's policy didn't cover him for commuting to a place of work or for business use.

I've see the statement of fact document including the following:

"Employment status Employed"

I've also seen Mr C's screenshots from the price comparison site. One of them shows his employment status as "Self employed".

I'm satisfied that 1st Central sent the statement of fact to Mr C and asked him to check it shortly after he bought the policy. I'm not satisfied that Mr C took the screenshots until after 1st Central contacted him in February 2023. So I'm more persuaded by the statement of fact than by the screenshots. I find it more likely than not that Mr C had told 1st Central he was employed.

The intermediary calculated the refund as follows:

| | | |
|------------------|---------|---------|
| paid by Mr C | £587.60 | |
| less | | |
| 48 days on cover | | £ 70.70 |
| arrangement fee | | £ 50.00 |
| cancellation fee | | £ 50.00 |
| subtotal | | £170.70 |
| refund | | £416.90 |

I consider that Mr C's payment of £587.60 included a premium of £537.60 and the intermediary's non-refundable arrangement fee of £50.00.

1st Central's charge for time on cover was about £1.47 per day or about £537.60 per year, so I don't think that 1st Central applied the additional premium of about £78.00.

The intermediary was responsible for charging Mr C the cancellation fee of £50.00.

As I've found it likely that Mr C had told 1st Central he was employed, I don't find it fair and reasonable to direct 1st Central to compensate Mr C for the cancellation fee or for the inconvenience he suffered as a result of the cancellation.

My final decision

For the reasons I've explained, my final decision is that I don't uphold this complaint. I don't direct First Central Underwriting Limited to do any more in response to this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C to accept or reject my decision before 19 June 2024.

Christopher Gilbert

Ombudsman