

The complaint

Mr B complains that First Central Insurance Management Limited is pursuing him for an outstanding amount after the cancellation of his motor insurance policies. He said this has affected his credit rating and his ability to borrow. Mr B is represented in this matter by Ms S.

What happened

Mr B said that he needed to cancel his insurance taken through First Central as it was unable to make the changes to his policies that he wanted. He said it offered him cancellations without fees and he then bought cover elsewhere. But he was unhappy that First Central then sought an outstanding amount from him. Mr B wanted First Central to cancel the charges.

Our Investigator recommended that the complaint should be upheld in part. She didn't see evidence in a phone call where First Central said it would cancel the policies without charge. But she thought it was more likely than not that this had been agreed. She thought First Central's charges for time on cover were fair and reasonable. And she thought it had fairly reduced the amounts owing. But she thought Mr B had been caused trouble and upset by being pursued for the debt. And she thought First Central should pay him £200 compensation for this.

First Central agreed to do this. But Ms S said the compensation was insufficient for the trouble and upset caused. She also said First Central hadn't removed adverse markers from Mr B's credit record and these were affecting his borrowing. Ms S asked for an Ombudsman's review, so the complaint has come to me for a final decision.

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 can understand that Mr B feels frustrated that he was being pursued for an outstanding balance when he had cancelled his policies. He provided proof to First Central that he had taken out alternative cover when it couldn't quote for his change of vehicle. Our approach in cases like this is to consider whether the broker's acted in line with the terms and conditions of the policy and fairly and reasonably.

The cancellation arrangements are explained on page 55 of the policy booklet:

"If your policy is cancelled, the insurer will return any premium, including the deposit, paid for this policy less:

- a charge for the number of days the insurer has provided cover for;*
- any fees applicable under the Intermediary Contract;*
- any credit finance charges;*
- any amount you may owe 1ST CENTRAL or the insurer under any other contract."*

I can see that First Central's fees are clearly set out in a table on page 60 of the policy booklet as part of the Intermediary Contract. There is a non-refundable £50 arrangement fee

and a £50 fee for cancellation after 14 days. The charges are in keeping with others I've seen. And so I think it's reasonable for First Central to apply them.

Mr B said he asked to cancel all three of his policies as First Central was unable to make changes he required. Mr B said First Central then agreed to waive its cancellation charges, but I haven't been provided with the phone call to check this. However, First Central, in its response to his complaint, stated that it had waived the cancellation charges as it couldn't offer cover. So I think this supports Mr B's statement. And I think First Central made an error when it pursued him for these cancellation charges.

But Mr B would still owe First Central the insurer's charges for his time on cover and the other fees. First Central set these out in a letter to Mr B and I can't see that they were incorrectly calculated.

But Mr B had cancelled his direct debits and then didn't pay the outstanding amount. So First Central charged him default fees and recorded the missed payment on his credit record. First Central later recorded the account as settled when Mr B paid the balance owing four months after it requested payment, and it waived the default fees. But the marker remained on his record.

Mr B said this was affecting his ability to obtain credit. But Ms S has agreed that this isn't the sole reason why Mr B has difficulty in obtaining credit. She's not provided evidence showing that Mr B's applications for credit were declined solely due to First Central recording a missed payment.

In any case, Mr B did miss a payment. I can understand that he may not have understood why he was asked to pay an outstanding amount and that he disputed being charged cancellation fees. But I think he could still have paid the amounts and then disputed them. So I think it's clear that Mr B missed a payment.

First Central is obliged to maintain true records of consumers' financial histories. I think it correctly recorded the missed payment and I don't require it to remove the marker. It follows that I can't reasonably hold First Central responsible for Mr B's failed credit applications.

But Mr B was caused trouble and upset when he was pursued by debt collectors for an amount he'd already paid. First Central has agreed to pay him £200 compensation for this. And I think that's fair and reasonable as it's in keeping with our published guidance for the impact the error had.

Putting things right

I require First Central Insurance Management Limited to pay Mr B £200 compensation for the distress and inconvenience caused by its level of service, as it's already agreed to do.

My final decision

For the reasons given above, my final decision is that I uphold this complaint in part. I require First Central Insurance Management Limited to carry out the redress set out above as it's already agreed to do.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 29 December 2023.

Phillip Berechree
Ombudsman