

The complaint

Mr S complains that Marshmallow Financial Services Ltd trading as Marshmallow unfairly cancelled his car insurance policy.

What happened

Mr S bought car insurance online from Marshmallow on 19 June 2021. When he received the policy documents in the post, he contacted Marshmallow to tell about two errors with his name and date of birth.

Marshmallow told Mr S they thought he'd intentionally given incorrect information in an effort to obtain insurance in circumstances where it wouldn't otherwise have been offered. So it cancelled the policy. It acknowledged it hadn't initially picked up the errors or flagged the name change to its fraud team, so it waived £25 from its standard £75 fraud cancellation fee, meaning Mr S paid a £50 cancellation fee, which was in line with its standard customer cancellation fee.

Mr S complained to Marshmallow but it maintained its position and so he brought his complaint to this service, explaining the cancellation marker is making it difficult to get car insurance and he needs it to be removed. He said the errors were unintentional, that he'd submitted a copy of his passport in support of the application and contacted Marshmallow as soon as he received the policy documents.

Our investigator explained he'd seen commercially sensitive material that showed Marshmallow wouldn't have offered the policy had Mr S given it the correct information at the outset, so he thought the cancellation of the policy was fair. But he thought the complaint should be upheld because he felt that, in the circumstances, Marshmallow should have given him the chance to cancel it himself. So he recommended it should remove the cancellation marker.

Marshmallow has asked for the complaint to be reviewed by an ombudsman. It has argued the outcome of its investigations suggests a deliberate attempt to misrepresent the facts and that, because of the fraud implications, the insurer cancellation marker should remain.

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 policy states Marshmallow can cancel cover where the customer has '*given incorrect information*' or committed '*misrepresentation or any attempt to gain an advantage under this insurance to which they're not entitled*'.

There doesn't appear to be any dispute over the fact Mr S gave incorrect information when he took out the policy. And Marshmallow has provided evidence to support its position that if it had been given the correct information it wouldn't have offered the policy. So, I'm satisfied that's the case and I think the cancellation was fair.

Marshmallow believes Mr S deliberately gave incorrect information to bypass its security and verification checks. But Mr S has said the errors were a mistake and has explained that he contacted Marshmallow to report the errors as soon as he received the policy documents. He says his account is also supported by the fact he submitted a copy of his passport which contained his name and date of birth.

Marshmallow accepts the application was allowed to proceed even though the correct details were on the passport and I accept that it was Mr S's responsibility to provide accurate information and it wasn't for Marshmallow to verify that information. But I think it's significant that Mr S sent in his passport and I don't think this is consistent with a deliberate attempt to provide false information. The fact Mr S contacted Marshmallow immediately on receipt of the policy documents also supports his argument that he had made a mistake when he applied for the policy.

I've considered the evidence and associated arguments put forward by Marshmallow in respect of Mr S's efforts to gain insurance and I think its conclusions are reasonable. However, when this is considered alongside the fact Mr S submitted a copy of his passport and contacted Marshmallow to alert it to the errors, I'm not satisfied that, on balance, Marshmallow has shown Mr S intentionally provided it with incorrect information to obtain insurance to which he wasn't otherwise entitled. So I don't think it's decision to place a cancellation marker on his record was fair.

My final decision

For the reasons outlined above, I uphold Mr S's complaint and direct Marshmallow Financial Services Ltd trading as Marshmallow to remove the insurer cancellation marker from Mr S's record.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 3 June 2022.

Carolyn Bonnell
Ombudsman