

The complaint

Mrs R complains about the service received from Marshmallow Financial Services Ltd (“Marshmallow”) when requesting proof of her no claims discount and incorrectly recording a claim on her car insurance. She also complains about their service which led to her policy being cancelled.

What happened

Mrs R took out an insurance policy through Marshmallow, which was paid through a finance arrangement. Marshmallow requested documents from Mrs R which included proof of her no-claims discount (“NCD”). Mrs R says she was abroad at the time so she couldn’t send the NCD until she returned. Mrs R says she isn’t computer literate and also registered disabled so she asked for a paper copy of her insurance documents and was informed this would be sent. Mrs R says, while she was still abroad, she received a threatening email about her NCD. And then, despite agreeing an extension of time to provide her NCD, Marshmallow took steps for the NCD entitlement to be removed which led to Mrs R owing an additional premium. So, Mrs R raised a complaint about these points.

Marshmallow responded and explained, while they’re able to verify some information using central databases, they do need to obtain certain documents from a customer to validate the information given to them. They explained this was the case for the NCD. Marshmallow accepted they’d made an error in applying the mid-term adjustment, by removing the NCD entitlement, prior to the extended deadline they agreed with Mrs R. Marshmallow said they’d now received proof of the NCD and agreed to reinstate this – but they couldn’t do this at the time as there was an open claim recorded against Mrs R’s policy. They said they would contact Mrs R once the claim has settled to review the cost of the policy.

Marshmallow acknowledged Mrs R’s concern about not receiving her policy documents through the post. They explained they’re an entirely web-based company and they rely on digital processes rather than posting documents. They said the documents can be downloaded by customers in a printable format. Marshmallow said they do offer the facility to print and send documents by post but there’s a £10 fee for this. Marshmallow said they could see Mrs R asked for this but was given conflicting information. Marshmallow apologised and offered to send the policy documents by post with the £10 fee waived. Marshmallow also offered a £15 gift voucher for the stress and frustration caused to Mrs R.

Mrs R remained unhappy with Marshmallow’s response, so she referred her complaint to our service.

During our investigation, Marshmallow reinstated the NCD which led to a discount on Mrs R’s premium. They used this refund to pay off the finance and sent the remainder to Mrs R. Marshmallow then claimed there were payment arrears and took steps which led to the cancellation of Mrs R’s policy. Mrs R raised a complaint about this, and Marshmallow accepted this was an error as their system showed the finance had been paid in full. Marshmallow apologised and acknowledged Mrs R had been left without insurance and offered to refund the £50 cancellation fee as well as £100 compensation for the inconvenience caused. Marshmallow said they understand Mrs R says she had to take taxis

and buses due to the policy cancellation and said they would look to reimburse these expenses if Mrs R can provide receipts. Mrs R asked for this to be reviewed and Marshmallow responded and offered to increase the compensation to £300.

Our investigator looked into things for Mrs R. She agreed there had been errors by Marshmallow and recommended the offer made by them was reasonable. Mrs R disagreed so the matter has come to me for a 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.

Having done so, I've decided to uphold the complaint. And, I think the investigator's recommendation here is a fair way to resolve matters. I understand Mrs R will be disappointed by this but I'll explain why I have made this decision.

My role requires me to say how a complaint should be settled quickly and with minimal formality and so I'll focus on what I consider to be the crux of the complaint and the main areas of dispute. The key facts about a number of the complaint points aren't in dispute. Marshmallow have admitted they got things wrong when they applied the mid-term adjustment prematurely and gave conflicting information about sending documents by post. They also accept they made an error in applying a claim against Mrs R's policy and also taking steps which led to the cancellation of her policy. The only issue I have to decide is whether their offer is fair and reasonable in the circumstances.

I think it's right that Marshmallow should compensate Mrs R for the upset, frustration and inconvenience caused by their poor service. To help decide what a fair and reasonable level of compensation should be, I've looked at the errors by Marshmallow and what the impact of those errors have been.

I can see there were emails exchanged between Mrs R and Marshmallow in September and October 2021 relating to proof of her NCD. I acknowledge Mrs R feels Marshmallow should've been able to obtain any required information from central databases but I don't think it's unreasonable for a broker to ask a customer for information which they might not be able to validate from any internal or external databases. I can see Mrs R did send information to Marshmallow, but it doesn't appear this was in the correct format, for example, on one occasion Marshmallow email Mrs R to say the information is out of date. Marshmallow have made an error here though as the email exchanges show Mrs R explained she was abroad and that she would be returning on 29 October. Marshmallow agreed to an extension of time until 29 October for Mrs R to provide the proof of NCD but took steps to remove Mrs R's NCD, by way of a mid-term adjustment, a week before the agreed extension date. This led to an increase in premium – which was spread across the remaining monthly instalments owed by Mrs R.

If a broker doesn't receive any requested evidence, I don't think it's unreasonable for them to take any steps which might lead to a mid-term adjustment and increased premium being applied by an insurer. But, in the circumstances of this case, I think it was unreasonable for Marshmallow to have taken steps which led to Mrs R's NCD entitlement being removed prior to the agreed deadline date for her to provide proof. This is particularly the case as they were aware Mrs R was still abroad at the time and didn't have access to the documents required. I acknowledge Marshmallow say they applied the mid-term adjustment 42 days after their first request for proof of the NCD even though their normal timeframe is 21 days.

But it's clear they agreed an extension of time but then didn't adhere to this – and this caused upset and frustration to Mrs R.

I think it was also unreasonable for Marshmallow to have only given a deadline date of 29 October – knowing this is the date of Mrs R's return. I think they could've asked questions to help understand what time Mrs R would be returning in order to assess whether it would be possible for her to find and send the necessary proof. I acknowledge the NCD proof wasn't sent to Marshmallow in their required format until after this date but there was still worry and frustration caused to Mrs R knowing she had a very small timeframe on her return to get the NCD proof to Marshmallow. I can see Marshmallow did reinstate the NCD once they received the proof and this led to a reduction in the premium which was used to pay off the remaining finance and the remainder sent to Mrs R. So, beyond the worry and frustration to Mrs R, I can't say there were any other losses.

Marshmallow acknowledge Mrs R's concern about not receiving her policy documents through the post. I acknowledge Marshmallow's processes are aligned to them being a web-based company, but they do offer the facility to post documents subject to a fee. The information I've seen shows Mrs R requested the policy documents by post and Marshmallow say she was given conflicting information. Marshmallow have apologised and offered to send the policy documents by post with the £10 fee waived. Marshmallow also offered a £15 gift voucher for the stress and frustration caused to Mrs R. Taking into account the impact of this on Mrs R, I think this offer is fair and reasonable in the circumstances.

I can see, once Marshmallow received the proof of NCD, they didn't use it to reinstate the NCD until around four months later. Marshmallow say this was down to a technical error where an open claim was mistakenly added to Mrs R's policy. Marshmallow say their system won't allow them to make any amendments to the NCD while there's an open claim. Once this was resolved, the NCD was reinstated and this led to a decrease in the premium. I acknowledge this led to confusion for Mrs R as the exchange in emails between her and Marshmallow show she was worried about why a claim was showing on her policy.

Marshmallow accept they made an error in taking steps which led to the cancellation of Mrs R's policy. Marshmallow say their system showed the finance had been paid in full but, by error, Mrs R's finance agreement appeared on a report suggesting there were payment arrears. This led to the policy being cancelled and Mrs R was refunded £68.24 for the unused premium minus their £50 cancellation fee. Marshmallow have apologised and acknowledged Mrs R had been left without insurance and offered to refund the £50 cancellation fee as well as £300 compensation for the inconvenience caused. Marshmallow have also offered to reimburse any taxi and bus expenses incurred by Mrs R, due to the policy cancellation, if Mrs R can provide receipts. They also confirmed they'd recorded the cancellation as a customer cancellation.

Mrs R says this caused her upset and frustration particularly as she had been assured by Marshmallow that no payments were due on her finance. The policy appears to have been cancelled around three weeks before it was due to end. So, while this impacted Mrs R for a relatively short period of time, I accept it caused inconvenience to Mrs R in not being able to use her car and having to rely on other means of transport.

Taking this all into account, I think Marshmallow's offer of compensation is fair and reasonable together with their offer to reimburse Mrs R any transport expenses incurred as a result of their error, if Mrs R provides receipts.

I can see Mrs R raises a concern about having to repair her windscreen which she says broke before her policy was cancelled. I can't see Mrs R has raised a claim about this, but I would encourage Mrs R to take this step first to see whether this would be covered. Our service isn't able to consider a complaint about this until Mrs R has made a claim and, if

necessary, raised a complaint and allowed either Marshmallow or the insurer an opportunity to address her complaint.

Taking into account the overall impact on Mrs R as a result of Marshmallow's errors, I think the steps they've offered to put things right are fair and reasonable in the circumstances.

Putting things right

I've taken the view that Marshmallow have made errors in applying the mid-term adjustment prematurely and giving conflicting information about sending documents by post. They also accept they made an error in applying a claim against Mrs R's policy and also taking steps which led to the cancellation of her policy. So, Marshmallow should provide Mrs R with her policy documents by post without charge, if they haven't done so already. They should also send the gift voucher, if they haven't done so already. Marshmallow should also refund the £50 cancellation fee and pay Mrs R £300 compensation, if they haven't done so already. Marshmallow should also reimburse Mrs R any transport expenses incurred as a result of the policy cancellation, if Mrs R provides receipts.

My final decision

My final decision is that I uphold the complaint. Marshmallow Financial Services Ltd must take the steps in accordance with what I've said under "Putting things right" above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs R to accept or reject my decision before 16 May 2023.

Paviter Dhaddy
Ombudsman