

## **The complaint**

Mr L says that he took out motor insurance arranged by Marshmallow Financial Services Ltd (Marshmallow) without realising he had done so due to a problem with the website. He complains that, after he took out motor insurance with another company, Marshmallow recorded his policy as cancelled, which has caused his premiums to go up.

## **What happened**

Mr L was looking to take out motor insurance. He tried to take out a policy online via Marshmallow. However, due to error messages, he didn't think the transaction had successfully gone through. So, he took out insurance elsewhere with another insurer. However, the transaction with Marshmallow had in fact successfully gone through, which meant Mr L was "dual insured".

Mr L was dual insured for approximately 17 months, including a renewal of his insurance with Marshmallow. After Marshmallow was made aware of this, it cancelled the policy and reimbursed Mr L part of the premium he had paid. Mr L wasn't happy about this and complained to Marshmallow.

Marshmallow said as it was unable to see any service or process failures, it was unable to refund the total premium.

Mr L wasn't happy with what Marshmallow said so he complained to this service. However, after our investigator requested further information from Marshmallow, Marshmallow reviewed the complaint, and offered Mr L 50% of the premium he'd paid during the period of dual insurance. Our investigator thought this was fair. However, as Marshmallow didn't do this right away, our investigator upheld Mr L's complaint and said Marshmallow should also pay him £100 for the avoidable distress and inconvenience caused by the delay.

Marshmallow agreed with what our investigator suggested, but Mr L didn't, so his complaint has been passed to me. Mr L wants a full refund of the premiums he paid to Marshmallow, any negative remarks to be removed from all insurance databases and compensation for current and future losses and the stress and distress caused.

## **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 uphold Mr L's complaint. I'll explain why.

It is not in dispute that Mr L was dual insured for a period of time. So I don't intend to go into detail about what Mr L and Marshmallow say happened during this time. Instead I will focus on what I think would be fair and reasonable for Marshmallow to do to put things right.

Marshmallow told this service that nearly four months after the policy was renewed, Mr L contacted it saying he didn't want the policy as he had cover elsewhere. He asked

Marshmallow to refund all his premiums. Marshmallow said that Mr L asked it to stop the renewal but as the 14-day renewal cooling off period had passed, it could only cancel his policy. As he was cancelling the policy rather than expiring it, Marshmallow charged him for the days he had cover.

Marshmallow said that in its final response letter, it had informed Mr L that because the dates of his other motor policy did not exactly align with the dates of his Marshmallow policy, he was not due a full refund. Marshmallow said that having reviewed this matter in full, Mr L clearly had dual cover on his vehicle and its underwriting team agreed to backdate the insurance policy to inception, offering a refund of 50% of the premium.

If a consumer is dual insured, this service would usually expect the two insurers to each pay half of any claim. So if Mr L had made a claim, Marshmallow would have only been 50% responsible and would have only paid half of it. Mr L had in effect half of his motor insurance with Marshmallow, so it's fair that he paid half the premium. Reimbursing 50% of the premium in this type of situation is standard industry practice and so I think Marshmallow acted fairly and reasonably.

Our investigator has already explained to Mr L that he is able to approach the other insurer and ask for a refund of 50% of the premiums paid to it during the period of dual insurance if he hasn't done so already.

I also think it was fair and reasonable for Marshmallow to record the policy as being cancelled, as this is what happened. Mr L says the recorded cancellation has caused his insurance premiums to increase, but he hasn't provided any evidence that the cancellation was the cause. Marshmallow says that the cancellation was recorded as "customer-driven" and not "insurer-enforced" so shouldn't affect the cost of insurance elsewhere.

### **My final decision**

For the reasons given above, I uphold Mr L's complaint. If it hasn't already done so I require Marshmallow Financial Services Ltd to reimburse Mr L 50% of the premiums paid during the period of dual insurance and add eight per cent simple interest from the date this should have been reimbursed. If it hasn't already done so I also require Marshmallow Financial Services Ltd pay Mr L £100 in compensation for the inconvenience caused as a result of not initially following the right approach when resolving the issue with his dual insurance.

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

Sarah Baalham  
**Ombudsman**