

## **The complaint**

Mr A complains that Marshmallow Financial Services Limited automatically renewed his motor insurance policy without warning him and it is now pursuing him for cancellation charges.

## **What happened**

Mr A's policy taken through Marshmallow was set for automatic renewal. It said it sent Mr A notice of the renewal. But it hasn't provided evidence of this, and Mr A said he didn't receive any notice. Mr A said a direct debit payment was taken and then he later cancelled the policy. Marshmallow then charged him for the insurer's fee for his time on cover and its cancellation fee.

Our Investigator recommended that the complaint should be upheld. She didn't see any evidence that Marshmallow had sent Mr A the renewal notice. But she thought Mr A hadn't cancelled his policy as soon as he was aware he was on cover. So she thought it was fair and reasonable for Mr A to pay the insurer's charge for his time on cover. But she thought that as Marshmallow couldn't show that a renewal notice had been sent, it should waive the cancellation charge, pay Mr A £100 compensation and adjust the remaining fees accordingly.

Marshmallow agreed to do this. But Mr A wanted all the charges reimbursed as he said he wasn't made aware of the new price for cover. He said he'd waited three weeks after he was aware of the cover before cancelling the policy. And so he thought he should pay for this time, but not for the period he was unaware of the price for the cover.

## **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.

Mr A told us that in two previous years Marshmallow has sent him renewal notices for his policy. Mr A said he noticed the policy had been renewed again only when his bank account became overdrawn, and a second direct debit failed. He then found that his premium had doubled. And I can understand that this must have been frustrating. But he waited three weeks before he cancelled the policy.

Marshmallow said it sent Mr A his renewal notice by email two weeks before his policy was due for automatic renewal. It said this email explained how Mr A could opt out of the renewal if he wished. I can see that Marshmallow had Mr A's correct email address, but it hasn't been able to provide us with evidence that the email was sent.

We think automatic renewals are good practice as they prevent consumers from being inadvertently without cover, and this could cause them to be stopped by the police. But we think brokers need to contact the policyholder to let them know a policy is ending. They also need to give their consumers enough information to decide whether to renew the insurance policy or look to find a different one.

Marshmallow accepts that it made an error as it has no evidence to show that the renewal email was sent to Mr A. So I've looked at the impact this had on Mr A.

Mr A had had his two previous years automatically renewed and he hadn't opted out of the process. I think he should have reasonably been aware that his policy was due for renewal and he had information about how to opt out. But I think he wasn't made sufficiently aware of the premium increase for the new policy.

Setting the premium is the responsibility of the insurer, not Marshmallow. So I can't consider this here. But I think Marshmallow should have made Mr A aware of the renewal price so he could shop around if he so wished. But Mr A waited three weeks after he was aware of the price before he cancelled his policy. And he didn't take out new cover for his car for a further three months.

So I'm not persuaded that Mr A would have done anything differently if he'd received Marshmallow's renewal email as he was in no hurry to cancel when he was aware of the price and he seems to have wanted cover for just two months. He had benefit of this and hadn't taken out alternative cover. And so I think it's fair and reasonable that Mr A should pay Marshmallow's request for the insurer's charge for his time on cover.

But Marshmallow's administration has caused Mr A trouble and upset. I think it's fair and reasonable that it should waive its cancellation charge and pay Mr A £100 compensation for not sending him the renewal notice. I think this is in keeping with our published guidance for the level of impact the error caused.

### **Putting things right**

I require Marshmallow Financial Services Limited to pay Mr A £100 compensation and waive its cancellation fee for the distress and inconvenience caused by its administration of his policy.

### **My final decision**

For the reasons given above, my final decision is that I uphold this complaint. I require Marshmallow Financial Services 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 A to accept or reject my decision before 27 May 2024.

Phillip Berechree  
**Ombudsman**