

The complaint

Ms S has complained about her previous car insurer Marshmallow Insurance Limited (MM) because it won't refund her 50% of her premium for the policy year 2022/2023 when she was insured with another insurer.

What happened

Ms S had cover with MM in 2021. She did not realise it was set to auto-renew in 2022. The policy with MM did auto-renew but Ms S took cover elsewhere. When she later complained about the auto-renew an Investigator at this Service found that MM had acted fairly so that complaint was not upheld.

In early 2024 Ms S asked MM to reimburse her 50% of the premium for the policy year 2022/2023, as her other insurer had done. MM did not reply and Ms S made a further complaint to the Financial Ombudsman Service.

Our Investigator felt MM should reimburse Ms S 50% of the 2022/2023 policy premium, plus interest applied from when Ms S had asked for the refund. He felt it would be reasonable for it to deduct a small fee for carrying out this task. He also thought it should pay Ms S £100 compensation.

Ms M was happy with that outcome. MM agreed to reimburse the premium, plus interest. It did not comment on the compensation award.

However, MM then said it had already repaid the premium to Ms S. When it provided detail about this it was apparent that refund was for the 2023/2024 policy year. Our Investigator clarified this with MM and reconfirmed his view about what it must do regarding the complaint about the 2022/2023 policy premium. MM did not respond further.

The complaint was referred to me for an Ombudsman's decision. I was satisfied that MM should be resolving the dual insurance for Ms S. But I felt I should be directing it to make an exact payment to her, and I'd also noted that Ms S had sold her car part way through the policy year. So that needed to be taken into account in any award made. As such, I wrote to both parties to update them on my intended award. I said:

"Ms S had insurance with MM for a [particular model of car]. The policy ran from 1 July 2022 until 1 July 2023. She also had cover for that car with another insurer, also starting on 1 July 2022. So, from 1 July 2022 Ms S held insurance for her car with two insurers – she was dual insured.

But Ms S changed her car in May 2023. At which point she was not dual insured. Rather she was dual insured for ten months, then paid MM for two months of cover (May and June 2023) she did not need at all and against which it was not carrying any risk (because she no longer had the car).

The total year's premium was £877.71. That breaks down to £73.14 per month.

*So I'm going to require MM to refund Ms S for 50% of her premium for ten months (£73.14*10/2=£365.71) and for 100% of two months (£73.14*2=£146.28). The total of those two is £511.99.*

In line with our approach on these matters, and stated by our Investigator, MM can deduct an admin fee. I see that under the policy it charges £50 for cancelling cover at the policyholder's request. I think it's fair to let it apply a £50 deduction here. So that leaves a sum of £461.99.

To the sum of £461.99, 8% simple interest should be applied from 20 March 2024, when MM could reasonably have looked at resolving this matter, until settlement is made.

The compensation of £100 suggested by our Investigator, is in my view, fair. MM should pay that to Ms S within 14 days of any final decision I issue – should I need to and should Ms S accept it. If it does not, interest will become due.

*So I intend to find that **MM should pay Ms S £461.99 plus 8% simple interest applied from 20 March 2024 until settlement is made and £100 compensation.** MM may now like to make these payments to Ms S."*

Ms S said she was happy with that outcome. MM did not reply.

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.

As Ms S accepted my suggested award, and MM did not object to it, I've no reason to review or revise my findings. As such they are now the findings of this, my final decision.

Putting things right

I require MM to pay Ms S:

- £461.99, plus interest applied from 20 March 2024 until settlement is made.
- £100 compensation, to be paid within 14 days of the date of this decision. If it is not paid within that timeframe, then interest will need to be applied to that sum from the date of the decision until settlement is made.

*Interest is at a rate of 8% simple per year and paid on the amounts specified and from/to the dates stated. HM Revenue & Customs may require MM to take off tax from this interest. If asked, it must give Ms S a certificate showing how much tax it's taken off.

My final decision

I uphold this complaint. I require Marshmallow Insurance Limited to provide the redress set out above at "Putting things right".

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms S to accept or reject my decision before 5 March 2025.

Fiona Robinson
Ombudsman