

The complaint

Mr M complains that Marshmallow Insurance Limited (“Marshmallow”) declined a claim and cancelled his motor insurance policy.

What happened

Mr M had a motor insurance policy with Marshmallow.

In December 2023 Mr M arranged to buy a new car. He part-exchanged his car for a new one, paying an additional amount as part of the transaction.

He drove home, and the new car was stolen from his driveway that night. He contacted Marshmallow and made a claim.

Marshmallow investigated his claim and said it thought Mr M’s new car had been cloned. It said it thought he’d been deceived, which meant there was no cover under the terms of its policy wording. Marshmallow cancelled his policy with immediate effect.

Mr M brought his complaint to this service. He asks that Marshmallow pay his claim and if he had to tell other insurers about the cancellation of his policy in future. He says he’s had to pay considerably more for cover with another insurer.

Our investigator looked into his complaint and thought it would be upheld in part. She thought Marshmallow had acted fairly in its rejection of Mr M’s claim. Mr M has also begun a complaint against his bank about this matter. Marshmallow agreed that Mr M didn’t need to tell other insurers about the cancellation and it issued him with a letter confirming this. It also agreed to refund Mr M his pro-rata premium as a gesture of goodwill.

Marshmallow then didn’t refund Mr M’s premium or reply to this service’s correspondence about it.

Because Marshmallow didn’t respond, this complaint has been passed to me to make a final 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.

In this decision, I’m not going to comment on the entire file of evidence I’ve been given. But I’d like to assure Mr M that I have carried out a comprehensive review of the file in arriving at this decision. This is in line with the informal approach of this service.

Having done so, I’m upholding Mr M’s complaint in part.

I can see from the file that both Mr M and Marshmallow agreed with the latest view. What this means is that the only remaining matter under consideration is the refund of the premium Mr M paid to Marshmallow for his car. Mr M paid a premium of about £1,500 for the

year. His policy had run for about one month. Marshmallow sent him a refund of £4.17.

As Marshmallow cancelled the policy, it needs to provide a pro-rata refund of Mr M's premium from the date the cancellation of his policy was effective.

I can see Marshmallow agreed with this, but then didn't carry out the refund correctly.

It now needs to do so.

I've also thought about whether Marshmallow should pay interest on this amount, and I think it should. This is a change from the view, and it would normally require me to write a provisional decision, ask the parties for feedback, and then write a further, final, decision.

But given the passage of time on this case, and Marshmallow's very poor responses lately, I'm going to issue this as a final decision meaning that Marshmallow needs to refund Mr M's pro-rata premium, deducting the £4.17 it's already paid him, but adding interest on the remainder at 8% simple calculated from the date the cancellation was effective to the date it makes this payment.

My final decision

It's my final decision that I uphold this complaint in part. I direct Marshmallow Insurance Limited to refund Mr M's premium on a pro-rata basis with effect from the cancellation date of his policy. Marshmallow can deduct the amount it's already paid (£4.17) but needs to add interest at 8% simple to the remainder from the cancellation date to the date it makes this payment.

If Marshmallow Insurance Limited considers that it's required by HM Revenue & Customs to withhold income tax from that interest, it should tell Mr M how much it's taken off. It should also give Mr M a tax deduction certificate if he asks for one, so he can reclaim the tax from HM Revenue & Customs if appropriate.

Marshmallow Insurance Limited must pay the amount within 28 days of the date on which we tell it Mr M accepts my final decision. If it pays later than this, it must also pay interest on the amount from the date of my final decision to the date of payment at 8% a year simple.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 7 April 2025.

Richard Sowden
Ombudsman