

## **The complaint**

Miss A has complained about actions taken and the service provided by Marshmallow Insurance Limited ('Marshmallow') in relation to her motor insurance policy.

## **What happened**

Miss A took out car insurance with Marshmallow in 2022 and renewed her policy in October 2023. She called Marshmallow in June 2024 to notify it of an incident where a third party reversed into her car, however she didn't wish to claim. This triggered a validation process, and the insurer asked Miss A for certain information. Miss A had asked Marshmallow for help with this process; however, she received a message stating that if she didn't provide the information, her policy would be cancelled with immediate effect on a date in September 2024. Miss A provided the information, and Marshmallow confirmed it had all it needed, and that there was no cancellation. Miss A received a separate letter however to say her policy had been cancelled and her details added to the fraud database.

Miss A was extremely upset about Marshmallow's actions. Due to her concerns that these actions had left her without insurance, this caused transport issues, and she lost income as a result and had difficulties in work. Miss A had to pay for public transport and needed to reduce her working hours to be able to travel. Miss A wished to receive compensation from Marshmallow for loss of income and for the distress and inconvenience caused.

Marshmallow accepted that Miss A had been given wrong information, as her policy hadn't been cancelled and she hadn't had any marker place on her record. It took ten days to tell her this. It first offered £100 in compensation for this mistake, and then increased the sum to £200. Miss A had also raised concerns that courtesy car cover wasn't removed from her policy after she was told she couldn't use such cover if she took her car to a manufacturer's garage. However, the investigator considered this to be a separate complaint, and explained that Marshmallow would need the opportunity to issue its final response in this respect.

Miss A was unhappy about Marshmallow's response, and she referred her complaint to this service. The relevant investigator upheld Miss A's complaint and agreed that Marshmallow was responsible for poor communication and misinformation. She recommended that Marshmallow pay Miss A £60 towards the cost of public transport for the relevant period. This was half the total evidenced cost of public transport, recognising fuel savings. The investigator didn't calculate Miss A's exact loss of earnings for the relevant period; however, she took this factor into account when recommending a compensation figure of £600. Miss A remained unhappy with the outcome of her complaint, and the case has been referred to me to make a final decision in my role as Ombudsman.

## **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.

Marshmallow accepted that it had made a service error which wasn't remedied for ten days. The key issue for me to determine is whether it had fairly and reasonably recognised this error through the level of compensation offered to Miss A. Whilst Marshmallow had

recognised its error, I don't consider that the compensation it offered to Miss A was an adequate response to the loss, distress and inconvenience experienced by Miss A. I'm satisfied however that £660 in total would be a fair and reasonable amount.

In reaching this decision, I've considered the detailed submissions provided by each party, summarised as follows. Turning firstly to Miss A's submissions, she said that Marshmallow's actions in purporting to cancel her policy and indicating that it placed her name on a fraud register was unfair and very distressing. This followed several previous service complaints to Marshmallow. Miss A said she suffered significant financial loss as a result. This included loss of earnings due to having to work reduced hours, as work was over two hours away from home when using public transport, as opposed to 45 minutes by car. Miss A provided a letter from employer to show that she had lost earnings during the period in question.

Miss A said that the transport expense to work was approximately £20 per day. On two occasions, missing public transport had led her to taking taxis for which she paid in cash or on a separate card. In addition, trains and buses were unreliable, and this led to delays in attending work, which in turn led to her employer reducing her work hours which meant a loss of income of two hours each day. It also led to a complaint which impacted upon career progression and missed targets which had financial consequences. Miss A said that she'd also had to give up working on a Saturday due to reduced public transport. Depending on the amount of work activity, Miss A estimated her loss of income to be between £80 and £240 per day. Miss A's profession is recorded on her policy documents, although described differently in some of Miss A's correspondence.

Miss A described significant health issues from which she suffered and she felt Marshmallow's error had a serious impact upon her life and health. As Miss A was self-employed, there wasn't sick pay or holiday entitlement, and she said that £200 didn't cover the costs or impact of the incident and indicated that she would be taking court action in relation to the matter.

As to communication with Marshmallow, she was upset that it provided an on-line service only and described numerous difficulties that she'd experienced in trying to use its on-line chat facility. In conclusion, Miss A was looking to receive £4,800 for loss of income, £120 travel costs and £600 for loss of her time and lack of co-operation by Marshmallow, together with interest. She added that she'd received a letter from Marshmallow admitting that her insurance had been revoked for three weeks and not ten days, and now wished to submit receipts for the whole period.

I now turn to Marshmallow's submissions. It accepted that it had been responsible for an error in this case. It said this occurred following Miss A's notification of an incident which then led to a standard verification process and requirement to cooperate with its process. This included provision of documents to validate the policy and failure to provide them could lead to cancellation. It said that it had made multiple requests for the information and that Miss A hadn't complied and this led to the cancellation letter in late September 2024.

In its final response letter at the beginning of October 2024, Marshmallow acknowledged that it hadn't responded to Miss A's requests for help about the requested documents and confirmed that, as Miss A had now sent in the relevant document, the policy wouldn't be cancelled. It said that unfortunately, in separate correspondence, it had incorrectly stated that the cancellation would still go ahead. It said, *'This information was incorrect, your policy was never cancelled and is still active.'* It explained that it had issued the cancellation letter at 12 pm and that Miss A had submitted the information at around 4 pm on the same day.

Marshmallow accepted that its customer service had been poor in this case, that there had been long delays in responding on the live chat, and that it had incorrectly informed Miss A

that her policy had been cancelled. However, it said that Miss A hadn't supplied the document until after her policy was due to be cancelled, and this caused confusion. It nevertheless recognised its own error and apologised for the inconvenience caused and offered modest compensation for its error. It said that as a goodwill gesture, it reversed the cancellation decision, and said that it had gone beyond strict policy requirements in doing so. It concluded that the response delays, compounded by incorrect information about the policy cancellation, led to unnecessary inconvenience and confusion for Miss A.

I now turn to the reasons for my decision to uphold Miss A's complaint and to require Marshmallow to pay Miss A the sum of £660 in total.

Firstly, Miss A has claimed for the cost of public transport while she didn't have use of her car in September 2024 due to her reasonable concern that she no longer had insurance in place with Marshmallow. Miss A had also reported an issue with the car's 'glow plugs' during September 2024. This problem wasn't covered by her insurance policy and it's not clear from the available evidence as to how long it took to fix this problem, and whether the car was unavailable for use in any event. On the balance of probabilities however, I accept that Miss A didn't use the car for the relevant 10-day period because of her concern that she no longer had insurance in place. I've considered the 10-day period only, and not the three-week period suggested by Miss A, as it's clear that Marshmallow had confirmed at the beginning of October 2024 that Miss A's insurance was indeed active.

Miss A ultimately suggested that her loss of income for the relevant period was £4,800. The evidence comprising of an undated letter from her employer states that the loss of Miss A's personal income for a day was approximately £480. Miss A's own evidence is that her loss of income due to reduced hours could be between £80 and £240 per day, and that she would *'leave it to your judgment to decide whether to calculate it based on minimum or maximum values or perhaps an average.'* Miss A said that she had to give up Saturday work from 9 am to 4 pm due to the transport difficulties, amounting to £240 at its lowest value.

The evidence on this point is unclear and inconsistent. On the balance of probabilities however, I'm not satisfied that Miss A lost the claimed amount of £4,800 over the relevant 10-day period. Firstly, the period includes two Sundays. Based on the minimum hourly rate provided by Miss A, the loss for the first date given by the employer would have been £60 and for the next full day cancelled, this would equate to £240 if Miss A's calculation regarding loss of Saturday work was correct. There is then a five-day gap in the dates during which Miss A had presumably been able to work full days and receive her usual income. The third day, when working hours were reduced by two hours, would have equated to a minimum loss of £80 using Miss A's figures, and the fourth when hours were reduced by one hour would have equated to £40. The next two days refer to a full day being cancelled, but this includes a Saturday. The final date refers to a one-hour reduction, equating to £40.

Whilst I appreciate that it had been difficult for Miss A to attend work via public transport for the period in question, particularly bearing in mind her health issues, I'm not satisfied that it had been impossible for Miss A to attend work on the three days when her employer stated that a full day was cancelled.

In conclusion, in relation to loss of income, I'm satisfied that Marshmallow's mistake was likely to have had a modest impact upon Miss A's income for the period in question, however I can't say that it was responsible for the entire loss of income, and certainly not for the claimed figure of £4,800. On the available evidence, the loss which can be attributed to the mistake is more likely to have been at a level of between £200 and £400.

I note that the error was remedied in early October 2024, so it had remained unresolved for a ten-day period. It was most unfortunate that the cancellation letter had been received

without Marshmallow having efficiently and diligently dealt with Miss A's attempts to obtain assistance from Marshmallow by e-mail and through its separate chat function. I can understand why the contents of the letter referring to cancellation of the policy together with the reference to fraud markers will have caused distress and inconvenience for this period. The error will also have led to her daily commute being extremely difficult for the period of 10 days. I'm satisfied therefore that an apology alone wouldn't be sufficient to recognise the distress and inconvenience caused.

In all the circumstances, I consider that a modest sum of compensation was appropriate to recognise the impact Marshmallow mistake had upon Miss A over a ten-day period, particularly bearing in mind Miss A's health issues. I'm satisfied that a total figure of £600 in compensation more fairly and reasonably recognises the loss of income as well and the distress and inconvenience caused by Marshmallow's error.

Miss A provided certain evidence of the cost of public transport over the relevant 10-day period. The service's investigator duly calculated the total cost at a figure of £120. However, I've noted that some of the evidence relates to dates for which the employer has confirmed that the full day was cancelled. I appreciate that Miss A states that there were also two taxi trips either paid in cash or by another card and she hasn't clarified how much was paid in these instances. In summary however, the additional cost of transport cannot be an exact calculation, as Miss A would have had to incur the expense of petrol as well as wear and tear on her usual drive to work. I'm satisfied that, bearing in mind the available evidence, £60 is likely to be a fair and reasonable amount to cover losses in this respect.

In conclusion, I require Marshmallow to pay £660 in total to Miss A. I know that this will come as a disappointment to Miss A as she was expecting to be awarded a much higher sum. However, this service simply provides an informal and impartial complaints process. A final decision is reached as to what the Ombudsman considers to be a fair and reasonable outcome to a complaint based on the evidence submitted by each of the parties. It remains open to Miss A to take court action against the insurer as she'd initially indicated, if dissatisfied with the outcome of this process.

### **My final decision**

For the reasons given above, I uphold Miss A's complaint and I require Marshmallow Insurance Limited to pay Miss A £660 in total in response to her complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss A to accept or reject my decision before 14 May 2025.

Claire Jones  
**Ombudsman**