

The complaint

Mr A complained that Marshmallow Financial Services Ltd (Marshmallow) cancelled his insurance cover late and charged him unfairly, under his motor insurance policy.

What happened

Mr A bought an insurance policy online through Marshmallow. He said this was supposed to start immediately on 17 June 2024. But he had difficulties completing the biometric ID requirements due to the system crashing. Mr A said he finally completed this just before midnight. He said that during this period he asked for the amount he paid to be refunded because he didn't want the policy.

Mr A said the following day he asked for his policy to be cancelled as of 24 June 2024. He said he subsequently asked for it to be cancelled from 21 June. But Marshmallow refused to change the date. Mr A said he wanted the policy to cancel prior to it incepting. But as this wasn't done, he wants Marshmallow to refund £152, which is what it cost him to cancel the policy. In addition, he asked for £1,000 compensation. The business didn't agree so Mr A complained.

In its final complaint response Marshmallow said that Mr A initially contacted it to query the price of his quote. It said it didn't agree to change the price and Mr A purchased the policy anyway. Marshmallow explained that its agent helped him complete the ID check. And the policy start date was set for 19 June 2024. The business said Mr A had advised over webchat that he was thinking of cancelling. But when asked if he needed help, he didn't respond to its agent. Marshmallow said Mr A then cancelled his policy online on 19 June and chose a cancellation date of 24 June.

In its response Marshmallow said that Mr A got in touch again on 21 June 2024 and wanted to cancel his policy from 19 June. It told him the cancellation had already been processed, and it had refunded him £803.65. It said this meant the cancellation date could not be changed. Marshmallow told Mr A that it was satisfied he'd been treated fairly by its agents. And that if he was unhappy with the premium he was offered in its quote, he needn't have agreed to it.

Mr A didn't think Marshmallow had treated him fairly and referred the matter to our service. Our investigator didn't uphold his complaint. He said Mr A had accepted the quote he was offered and had agreed to the cancellation terms and charges before doing so. He didn't think the business had treated Mr A unfairly and so didn't ask it to provide a refund or compensation.

Mr A didn't accept our investigator's findings and asked for an ombudsman to consider his complaint. He said he wanted the policy to cancel before it had started and that he'd requested this in his webchats with Marshmallow.

Mr A's complaint has now been passed to me to decide.

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.

Having done so I'm not upholding Mr A's complaint. Let me explain.

Marshmallow's terms of business say:

"If you cancel within the cooling off period, and you have not made a claim, you will receive a pro rata refund and be charged a £30 administration fee. If you cancel before your policy has commenced, you will receive a full refund from us of any premium payment made, minus a £30 administration fee."

From the records provided Mr A cancelled his policy effective from 24 June 2024. Based on this information the business was able to charge an administration fee for £30. This is because Mr A cancelled within the 14-day cooling off period. The terms say that Mr A should receive a pro-rata refund of his premium in these circumstances, which is what happened here. Part of the premium was used to pay for the time he was on cover. So, on the face of it, Marshmallow did what it was expected to do in line with its policy terms and conditions.

I've also read the web chat transcripts between Mr A and Marshmallow to make sure that he was treated fairly.

I can't see that Mr A clearly told Marshmallow's agent that he wanted to cancel the policy on 17 June 2024. The initial chat related to the cost of his premium. The agent explained the factors that are considered when premiums are calculated. A gap in the conversation followed for 45 minutes until the agent advised Mr A she was going offline. She said she would be available the next morning if Mr A still required help. Sometime later Mr A then re-engaged in the conversation and said he was having an issue with ID verification. His final comment was at 9.50pm. He said, *"if this doesn't start not [sic]. full refund. revert payment."*

I've thought carefully about what Mr A said over the webchat. Along with his comments that he gave instructions for the policy to cancel before it started. But I can't agree that he did this. I don't think the last comment he made was clear. But regardless of this Mr A was aware that the agent had left the chat. It's apparent that the webchat service had closed for the evening by this time.

I can see the same agent picked up the conversation the next morning just after 9am. She provided information on how to complete the ID verification. Although I note Mr A has said that he was able to complete the verification the night before. His insurance certificate confirms that cover was in place from 9.48pm on 17 June 2024. So, this shows he had managed to set the policy up the previous evening.

Mr A responded to Marshmallow's agent at 10.46am on 18 June 2024 to say he was thinking of cancelling. The agent replied to say she was available to assist in creating his policy. Mr A didn't respond. The chat was then closed off at 2.07pm.

Mr A restarted the webchat again just before 4pm. He wanted to change the policy to start that day (18 June 2024). He was told by an artificial intelligence (AI) response how to do this. But the message said if the policy had already started this would mean cancelling and this could incur a fee. Mr A was then told he would be connected to an adviser, and there may be a wait. An agent came onto the chat at around 5.30pm and told Mr A it wasn't possible to change the start date at this juncture as the policy had incepted the previous day.

On 20 June 2024, via webchat, Mr A asked for his cancellation date to be changed to 21 June. At 3.30pm Marshmallow's agent told him it couldn't do this. At 9.30pm Mr A asked why not and requested confirmation of the refund he would receive. The following day the same agent confirmed how much the refund would be. The webchat was closed after a couple of hours with no response from Mr A.

I can see an AI response was sent to Mr A regarding his concern that the refund should be higher. It said the reason it wasn't possible to cancel on 21 June 2024 instead of 24 June, could be related to the specific terms of his insurance plan. It said this might dictate the effective date and time of cancellation.

I don't think this was a particularly helpful response, but Mr A could have asked to be connected to an agent if the AI response didn't answer his query.

Based on this information Mr A's policy inceptioned on 17 June 2024. He didn't ask for it to be cancelled until 19 June, at which time he asked for this to be effective from 24 June. Marshmallow has provided a screenshot from its system that confirms this.

I can see that Mr A was charged £122.01 for his time on cover as well as Marshmallow's £30 cancellation fee. Mr A's annual premium was £6,362.05. From what I've seen he was charged correctly for cancelling his policy.

I've thought carefully about Mr A's comments that if Marshmallow wasn't prepared to cancel from 17 June 2024, his policy should still have been cancelled on 21 June. He said he'd called the day before this, so this should have been agreed. This would then have reduced what he had to pay for his time on cover.

In its final complaint response Marshmallow didn't comment on this point. I asked it to confirm the reason it couldn't change the cancellation to 21 June when Mr A had contacted it the day before. It said this was because Mr A had set his policy to cancel on 19 June with a cancellation date for 24 June. It said the cancellation becomes irreversible after the date this is done. So, after 19 June in this case.

I asked Marshmallow to explain more about why the cancellation became irreversible. It responded to say that at the time of processing it sent details to the Motor Insurance Bureau (MIB) database. This is to ensure the policy is showing correctly as off-risk on the date specified. In Mr A's case it said the 'add-ons' he had with his policy meant it also had to contact the partner companies responsible for providing those services. Marshmallow explained it can take several days for all of this to be processed. It said it's not reasonable to expect it to amend the cancellation date in the way Mr A requested. And that its systems are not set up to be able to do this. For this reason, the business said it makes it clear to its customers that once processed a cancellation is final.

I've seen screenshots of the information Mr A was provided with. One of these requires him to check a box that says, "*I understand that cancellation is a permanent change that I can't undo*".

Having considered all of this I'm satisfied that Marshmallow provided Mr A with accurate and timely information regarding his cancellation. He was informed in advance that his cancellation couldn't be altered once processed. The business has shown that it charged Mr A correctly for his cancellation in line with his policy terms and conditions. So, I'm not upholding his complaint and I can't fairly ask Marshmallow to do anymore.

My final decision

My final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr A to accept or reject my decision before 15 September 2025.

Mike Waldron
Ombudsman