

The complaint

Mr T has complained about Marshmallow Insurance Limited's decision to cancel a car insurance policy he bought with it and apply a fraud exclusion term.

What happened

Mr T bought a car insurance policy with the insurer Marshmallow in 2023. He provided additional documents Marshmallow requested to show eight years No Claims Discount (NCD) while driving abroad.

Mr T bought another car insurance policy with Marshmallow in 2024. Before the policy started, Marshmallow asked for evidence of address and NCD, which Mr T provided.

Marshmallow was satisfied with the evidence of address. But it wasn't satisfied with the proof of NCD Mr T provided while driving abroad. Marshmallow cited its fraud term under the policy as a reason to cancel it and apply a fraud marker in Mr T's name.

Mr T complained to Marshmallow about its decision. He said he had provided the same NCD proof the year before and it had been accepted. He was unhappy with the cancellation and fraud marker against his name. Mr T said it put him at a disadvantage when trying to buy car insurance elsewhere. He said Marshmallow had cancelled his policy abruptly.

Marshmallow upheld Mr T's complaint in part. It accepted that it had failed to check Mr T's documents when he bought a policy with it in 2023. But it said its decision to cancel the policy in 2024 was correct. And so Marshmallow didn't agree to remove any cancellation or fraud markers in Mr T's name. It said if it had carried out its checks a year before, the outcome would have been the same. But it had instead provided Mr T with cover for a year.

Marshmallow explained that as it cancelled the policy before it renewed in 2024, it didn't have to give notice. But it did in fact give Mr T seven days' notice of cancellation.

Mr T remained unhappy and asked us to look at his complaint. One of our Investigators found Marshmallow had acted reasonably and in line with the policy.

Mr T disagrees. In summary he says we haven't acted impartially and haven't properly considered the information and background he has provided. He said the reason why the insurer name under the additional evidence provided doesn't match the NCD letter is because insurers abroad use third parties.

Mr T says he understands Marshmallow has the right to cancel the policy. But he doesn't agree it is fair to apply a fraud cancellation marker against his name due to a misunderstanding or mistake. He believes Marshmallow should have instead charged him a higher premium for cover.

So as Mr T disagrees, the case has 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.

It's important to explain that it isn't for me to decide if Mr T has acted fraudulently. Instead, I need to consider if Marshmallow has acted reasonably in applying the fraud term and its decision to cancel Mr T's policy.

Marshmallow has referred to the following condition as a reason to cancel Mr T's policy:

"You confirm that we have the details we need to assess your risk, verify your identity and prevent fraud. You agree to keep us informed of any changes to this information, and to let us access more information about you from third parties in the future. Any misrepresented information could lead to premium increases, policy cancellation and/or claim repudiation. We might share the information you give us with fraud agencies."

So I think Marshmallow was clear about its fraud term.

I've reviewed the document Mr T provided to demonstrate eight years NCD. As Marshmallow identified, the inception and expiry dates are inconsistent. The logo doesn't match the company name on the letter. Searches carried out by Marshmallow didn't show a match for the logo with an insurance provider. So it wasn't able to contact the provider to verify the information.

Mr T says in the relevant country it is the car that is insured rather than the driver. The government information Mr T provided from the relevant country showing previous insured cars doesn't match the insurer details on the NCD proof letter provided by Mr T.

I understand Mr T doesn't agree, and I've considered the reasons he's given as to why. But putting all of its concerns together, I don't find that Marshmallow acted unreasonably in applying the fraud term. So I'm satisfied that the cancellation and fraud marker has been correctly recorded in Mr T's name. And I find that Marshmallow gave Mr T reasonable notice of cancellation. So I don't think Marshmallow acted unfairly by not allowing Mr T to instead pay a higher premium.

I appreciate that Marshmallow didn't carry out validation checks when Mr T bought a policy with it in 2023. But I find this failing had no negative impact on Mr T as he was insured for that year.

My final decision

For the reasons I've given above, my final decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr T to accept or reject my decision before 18 July 2025.

Geraldine Newbold
Ombudsman