

The complaint

Ms R has complained that Marshmallow Financial Services Ltd didn't act on her instruction not to renew her car insurance policy. She's unhappy with the amount Marshmallow says she owes when it cancelled her policy for non-payment of premium.

What happened

Ms R bought a car insurance policy through a broker, Marshmallow in November 2023, with a start date of 3 December 2023. Marshmallow said it would automatically renew Ms R's policy the following year unless she contacted it to cancel before the renewal date.

On 19 November 2024 Marshmallow sent a renewal invitation to Ms R by email. On 29 November 2024 Ms R contacted Marshmallow through its 'live chat' service and asked it not to renew her policy. But when Marshmallow asked for details from Ms R to be sure it was dealing with its customer, Ms R didn't provide them. So Marshmallow couldn't act on the instruction. Marshmallow told Ms R in subsequent emails and text messages that her policy would renew on 3 December 2024.

Marshmallow didn't hear from Ms R until after it arranged the renewal of her policy and the first payment was collected on 3 December 2024. On 10 December 2024 Marshmallow received a request via its live chat service to cancel the policy. When it asked for verification details, Ms R ended the live chat.

On 20 December 2024 Marshmallow was notified that Ms R had requested the return of the paid premium on 3 December 2024 via a payment dispute with her bank. Marshmallow asked Ms R to either withdraw the dispute, or complete the payment by 27 December 2024 to prevent the cancellation of her policy. It didn't hear from Ms R so it cancelled her policy on 30 December 2024. Marshmallow said Ms R owed a cancellation fee of £125 along with a pro-rata premium for the days she was insured.

On receipt of evidence Ms R was insured elsewhere from 11 December 2024, Marshmallow adjusted the premium refund amount Ms R owed. But it maintained that Ms R owed the cancellation fee.

In March 2025 Ms R complained to Marshmallow. She didn't agree she owed a cancellation fee as she said the policy was cancelled within 14 days.

Marshmallow didn't uphold the complaint. It said the policy was not cancelled within 14 days by Ms R – it was cancelled due to non-payment of premiums on 30 December 2024. It was backdated to 11 December 2024 as the date Ms R was dually insured. So Marshmallow said the cancellation fee stood, along with the reduced premium for the days the insurer provided cover – so from 3 to 10 December 2024.

One of our Investigators didn't recommend the complaint should be upheld for the same reasons as Marshmallow. He found Marshmallow had correctly followed its cancellation process and was entitled to charge its cancellation fee and balance premium.

Ms R didn't agree and wants an ombudsman 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.

When Ms R bought a policy through Marshmallow in November 2023, it said it would automatically renew her policy the following year unless Ms R took action to cancel the renewal before the renewal date. This isn't an unusual term for an insurer or broker to apply as it helps to prevent a customer from potentially driving uninsured.

I think Marshmallow gave Ms R sufficient and clear notice of its intention to automatically renew her policy on 3 December 2024. When Ms R contacted Marshmallow via live chat on 29 November 2024, she didn't complete the verification details it needed to carry out her request not to renew the policy. I can't say Marshmallow acted unreasonably here. Like any other insurer or broker, it needed to be sure it was dealing with its customer. It would have been wrong for Marshmallow to have not renewed Ms R's policy – with the potential consequences of not being insured - without verifying it was Ms R it was taking instruction from.

For the same reasons, as Ms R didn't proceed to verify who she was before the live chat ended on 10 December 2024, Marshmallow didn't cancel the policy.

So I find that Marshmallow correctly arranged for the renewal of Ms R's policy on 3 December 2024. As Ms R paid for her insurance in monthly instalments, the first payment of £91 that was due on the same date was correctly collected from her bank account.

On 20 December 2024, because Ms R had made a request via her bank for the premium to be returned to her account, Marshmallow contacted Ms R with the option to ensure the payment was made or it would cancel her policy. Under the policy wording, which Marshmallow provided when Ms R bought her policy, it said;

"If you do not pay your monthly payment on time, we reserve the right to

1. cancel your policy"

And;

"Cancellation by us

We can cancel this policy where there is a valid reason for doing so.

Your failure to pay one or more monthly payment"

And;

"Cancelling or voiding your policy

Cancellation by Us

If you opt to pay your insurance premium on a monthly basis and your policy is cancelled by us, you will not be charged for any future months after the cancellation. However, if we have cancelled your policy due to a missed monthly payment(s), you will still owe us for any outstanding payments prior to the cancellation.

The administration charge will be up to £130 where any cancellation has been issued by us.

Cancelling the policy within the 14 day period

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.

Cancelling the policy after the cooling off period

If you opt to pay your insurance premium on a monthly basis and you cancel after the cooling off period, provided there have been no claims in the current period of insurance, you will not be charged for any future months after the cancellation.

We will deduct an administration charge of £60 to £125 depending on your chosen policy as per the below table when you have cancelled your policy.”

The table lists Ms R’s chosen policy with a cancellation fee of £125.

So I think Marshmallow was clear about its cancellation process and what it would charge on cancellation.

Ms R provided evidence to Marshmallow that she was insured elsewhere from 11 December 2024. But this information wasn’t provided until after Marshmallow cancelled the policy due to a missed monthly payment. So I find Marshmallow was entitled to charge its cancellation fee and for the days Ms R was insured up until 11 December 2024. Marshmallow says the balance Ms R owes for days she was insured by the insurer comes to £60.85.

In response to the Investigator’s view, Ms R told us that she has dyslexia. I can’t see any evidence Ms R previously made Marshmallow or us aware of this. Had Ms R told Marshmallow this when she applied for the policy, I would have expected it to have made reasonable adjustments to help Ms R. But I cannot say Marshmallow did anything wrong as it didn’t know.

I understand Ms R will be very disappointed with my decision. Ms R has explained that the payment she owes Marshmallow will cause financial difficulty. While I sympathise with Ms R, I think Marshmallow correctly followed the renewal and cancellation process. It has treated Ms R fairly and as it would any other customer in the same circumstances.

I think Marshmallow gave Ms R clear and reasonable notice to prevent her policy from renewing. I don’t think it acted unreasonably in asking Ms R to complete its verification process. Had Ms R done this, Marshmallow would have been able to cancel the renewal of her policy - and no cancellation fee or premium balance would be due.

My final decision

My final decision is that I don’t uphold this complaint.

Under the rules of the Financial Ombudsman Service, I’m required to ask Ms R to accept or reject my decision before 1 September 2025.

Geraldine Newbold
Ombudsman