

## The complaint

Miss A complains about the cancellation of her motor insurance policy arranged through Marshmallow Financial Services Ltd (Marshmallow). She also complains about Marshmallow deeming her vehicle repairable after an accident, repairing the vehicle at an approved repairer when she asked Marshmallow not to, the time taken by Marshmallow to respond to her complaint and the increased cost of her insurance from what happened.

Any reference to Marshmallow in this decision includes their agents.

## What happened

The events in this case are complex and well known to both Miss A and to Marshmallow. So, the following is a summary of the key events in the case.

In October 2024, Miss A was involved in an incident in which she reversed her vehicle into a bollard and a kerb, leaving her vehicle immobilised. She contacted Marshmallow for [roadside] assistance, not to make a claim. As Miss A's policy included roadside assistance, Marshmallow arranged for a recovery vehicle to attend, recovering the vehicle. In the event, Miss A didn't have roadside assistance, but Marshmallow recorded a claim. As part of their validation procedures, they asked Miss A for information to validate her occupation (as a full-time student). Miss A said she was on a gap year from study with some part-time work. However, Marshmallow didn't think she provided the information they requested, so they invoked the policy general conditions to cancel the policy for non-cooperation and failure to provide information when requested (January 2025).

Around the same time of the cancellation, Miss A had an accident that caused damage to her vehicle. Marshmallow arranged for an engineer to inspect the vehicle. Miss A believed the vehicle had been deemed a total loss, but Marshmallow said it was repairable. Following which the vehicle was taken to an approved repairer (DR). Miss A said she didn't want the vehicle repaired, but due to communication issues, a request to pause repairs wasn't communicated to the engineer and DR didn't act on a cancellation notice (of the repairs) and submitted an estimate for repairs which was approved. They then completed repairs on the vehicle (February 2025).

Unhappy at what had happened, Miss A complained to Marshmallow. Her complaint covered several elements, including the cancellation of her policy, her vehicle being repaired when she thought it should be a total loss and then repaired against her wishes. She was also unhappy at the impact of the cancellation on her ability to obtain insurance elsewhere at an affordable cost. She was, subsequently, also unhappy at the time Marshmallow took to respond to her complaint, given the difficult financial and personal circumstances she told them about.

In their final response, issued in March 2025, Marshmallow partially upheld the complaint, awarding £500 compensation. On cancellation of her policy, Marshmallow confirmed the policy was cancelled in line with the policy terms as she hadn't co-operated with their claims procedure and request for information, specifically confirmation of her occupation as a full-time student. Marshmallow referred to the policy General Conditions requiring co-operation

and provision of information and their right to cancel a policy if General Conditions weren't met. While acknowledging the impact of the cancellation on Miss A's ability to obtain insurance elsewhere, Marshmallow noted the incident reported by Miss A would of itself affected her insurance, even had the policy not been cancelled.

On the issue of whether her vehicle was a total loss or repairable, Marshmallow acknowledged some confusion but confirmed the engineer's assessment the vehicle was repairable. As such, Marshmallow appointed DR as an approved repairer to carry out repairs. But Marshmallow accepted that a request to pause repairs, when Miss A indicated she wanted to nominate her own repairer, wasn't acted upon with the result the vehicle was delivered to DR who submitted an estimate for repairs which was approved by Marshmallow's in-house engineers. DR completed repairs, despite receiving a cancellation notice. On the time taken to respond to Miss A's complaint, Marshmallow acknowledged it hadn't been prioritised, despite her vulnerability.

In addition to the £500 compensation, Marshmallow offered to arrange an independent inspection of Miss A's vehicle to confirm repairs were carried out to the required standard. Should an inspection identify any outstanding issues, Marshmallow would cover the cost of rectification.

Miss A then complained to this Service. She raised several issues, including Marshmallow cancelling her policy, their decision to deem the vehicle repairable (rather than a total loss); the vehicle being repaired at an approved repairer when she had asked that it wasn't; the increased cost of insurance from what happened; and the time taken for Marshmallow to respond to her complaint. She said cancellation of the policy had left her facing premiums from other insurers at an unaffordable level/ She'd also paid over £3,000 for her policy with Marshmallow, which they were refusing to refund because of the claim that was made (even though the policy was cancelled). Her vehicle had also lost value from having been repaired.

Our investigator didn't uphold the complaint, concluding Marshmallow didn't need to take any action. On the issue of the categorisation of the vehicle between repairable and total loss, the investigator noted the engineer's report referred to total loss in the title, but the body of the report concluded the vehicle was repairable. On cancellation of the policy, Marshmallow maintained the policy was cancelled because Miss A didn't provide documents to enable Marshmallow to validate her occupation. The investigator concluded Marshmallow acted within the policy terms as she hadn't provided information or clarification about her employment, as part of their validation of the policy (given discrepancies in the information Miss A initially provided and the circumstances of her employment).

On the vehicle being repaired when Miss A specifically stated she didn't want it repaired, the engineer's report concluded the vehicle was repairable and the cost would be significantly less than the vehicle being deemed a total loss. The repairing garage assessed the vehicle and submitted an estimate for the cost to Marshmallow, who approved the repairs (which were then carried out). The repairing garage wrongly continued with the repairs when Marshmallow issued a notice cancelling the repairs. However, as the repairs could not be undone, the investigator thought it was fair and reasonable for Marshmallow to award £500 compensation for the error and offered to pay for an independent assessment of the vehicle, to determine whether the repairs had been completed to the appropriate standard, as well as to pay for any rectification work found to be necessary.

On the increased cost of insurance for Miss A. the investigator concluded Marshmallow hadn't recorded the claim incorrectly, including on external databases. Making a claim would be likely to increase the cost of insurance to Miss A, regardless of who was at fault for the accident. From the information provided by Marshmallow, the investigator didn't see any errors that may have increased the cost of Miss A's insurance unfairly. On delays in resolving

her complaint, the investigator concluded Marshmallow had responded to Miss A's complaint within the eight-week period allowed for a final response, given the number of issues contained within the complaint.

Miss A disagreed with the investigator's view and requested that an ombudsman review the complaint. In disagreeing, she reiterated in detail her concerns about the way Marshmallow had acted, including the cancellation of her policy, the deeming of her vehicle as a total loss then changed to repairable, followed by completion of repairs when she asked for them to be paused and the financial impact of having her policy cancelled as well as the emotional impact from what happened. She had explained to Marshmallow, on her occupation, that she was on a gap year with occasional work as self-employment without a formal contract (so undocumented). She also said the repairs weren't completed properly (damaged sensors). She also challenged Marshmallow's recording of the incident in October 2024 as a claim, saying she was told a claim had been opened in error and removed after six months.

### **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.

My role here is to decide whether Marshmallow have acted fairly towards Miss A. In doing so, I've borne in mind the vulnerabilities Miss A has told us about when bringing her complaint, including financial and health issues.

There are several key issues in Miss A's complaint. They include the decision that her vehicle was repairable (when Miss A thought it was being – and should be - deemed a total loss); Marshmallow having her vehicle repaired at DR when she asked them not to; the cancellation of her policy; the increased cost of insurance to Miss A; and the time taken for Marshmallow to respond to the complaint Miss A raised with them.

I will deal with each issue in turn.

#### *a) The decision to deem Miss A's vehicle repairable (not a total loss)*

The issue of whether Miss A's vehicle should have been deemed a total loss, rather than repairable, arises from a second incident involving Miss A's vehicle. From what I've seen, the accident happened in January 2025, immediately before the date of cancellation of her policy, which arose from the validation checks carried out following the first incident. So, the cancellation wasn't a result of the second accident and claim. As the second accident happened just before the cancellation, then cover was still in place for the second accident and consequent claim by Miss A. From what I've seen, the circumstances of the second accident are that Miss A was exiting from a roundabout when the third-party vehicle she was following braked but when Miss A braked her vehicle skidded on black ice and hit the rear of the third-party vehicle, causing damage to the front of Miss A's vehicle.

Miss A says she was told her vehicle would be treated as a total loss, only for Marshmallow to deem it repairable. Marshmallow acknowledge their communication on the issue could have been clearer. One of the factors Miss A points to in support of her view is an email from one of Marshmallow's agents (e2e) in January 2025 asking her for her vehicle registration document. The email also includes the wording 'Total Loss Vehicle Management' in e2e's title, which I can understand led Miss A to think her vehicle was being deemed a total loss (as well as the request for the registration document and the vehicle keys). Reference is also made to the process of agreeing a valuation. A 'Frequently Asked Question' section of the email also gives the impression the vehicle is being deemed a total loss.

I've also noted the engineer's report from e2e, following their inspection of Miss A's vehicle' is headed 'Total Loss Engineer Report'. However, the text of the report concludes the vehicle is repairable and is referred to Marshmallow's in-house engineers. The engineer's report is dated towards the end of January, about a week after the accident. Shortly after, Miss A is told the vehicle is repairable (a few days after the email referred to above). Miss A challenges the vehicle being deemed repairable, saying it should be considered a total loss. She is also concerned at the impact of the vehicle being repaired on its long-term value.

However, the decision about whether a vehicle is repairable following an accident is for Marshmallow, not Miss A. The policy makes this clear in *Section 3: Loss of or damage to the insured vehicle* which sets out that Marshmallow has absolute discretion to decide whether to pay for any damage to be repaired, provide a replacement vehicle, or pay an amount of cash equivalent to the loss or damage (based on the vehicle's market value immediately before the loss or the cost of repairing the vehicle). And while the engineer report title and email may have given the impression to Miss A her vehicle was being deemed a total loss, this wasn't actually the case, given what the engineer's report concluded (as opposed to the title of the report). And Marshmallow confirmed their decision the vehicle was repairable, as the estimated repair costs didn't exceed the percentage of a vehicle value above which it would be considered a total loss.

Taking all these points together, while Miss A thought the vehicle was being treated as a total loss (and the engineer report and e2e email may have given that impression) the vehicle wasn't deemed a total loss and the engineer report concludes it was repairable. This was made clear to Miss A within a few days, so I don't think she would have suffered any significant loss of expectation. As it was Marshmallow's decision to make under the policy terms, I've concluded they acted fairly and reasonably in reaching their decision.

*b) The repair of Miss A's vehicle at the approved repairer*

Having deemed the vehicle repairable, the next issue is it being repaired at the approved repairer nominated by Marshmallow (DR) when Miss A had expressly asked for it not to be, preferring to have the vehicle repaired at a garage of her choosing.

From what I've seen, there was a breakdown in communication between Marshmallow and their various agents following Miss A's request. Marshmallow issued a 'pause' instruction to the Motor Repair Network, who appointed DR to carry out repairs. However, this instruction wasn't relayed to e2e, who arranged for the vehicle to be delivered to DR. It appears DR were aware of the pause instruction (and a subsequent cancellation of the repairs), but submitted a repair estimate to Marshmallow's in-house engineers, who approved the estimate (but weren't aware of Miss A's request). Having the vehicle onsite and with approval of their estimate by Marshmallow's in-house engineers, DR then completed the repairs, by the end of February 2025.

Marshmallow accept there were communication issues which meant their instruction to pause repairs wasn't acted on, leading to the vehicle being repaired against Miss A's express request not to. Given what happened, I don't think Marshmallow acted fairly and reasonably towards Miss A in this respect and they are ultimately responsible for what happened, including the actions of their agents. I'll come back to what I think Marshmallow should do when I've considered the other aspects of the complaint.

Miss A also says there were issues with her vehicle on its return from DR (sensors weren't working). Marshmallow have offered to have the vehicle independently assessed and if any work is needed, they will cover the cost. I think that's fair and reasonable, as I would expect insurers to cover the cost of any rectification work if there are issues with the quality of repairs undertaken by an approved repairer.

c) *The cancellation of Miss A's policy*

Marshmallow cancelled Miss A's policy on the grounds she failed to co-operate and provide information they requested as part of their validation of the first incident in October 2024. Specifically, information to confirm Miss A's occupation as a full-time student (for example a letter from the institution at which she was enrolled). Marshmallow's claim notes record being told when Miss A contacted them at the time of the incident, she was a full-time student. The policy provides for Marshmallow to carry out validation checks, for example when a policy is taken out or at a subsequent event, such as an incident or a claim. So, I don't think it was unreasonable for them to request information, which I can see they did through emails in October, November and December 2024 and again in January 2025. Miss A had earlier provided information about her driving licence.

From what I've seen, including chat conversations, Marshmallow first requested confirmation of Miss A's full-time student status, then dates from which she was no longer a full-time student and started her gap year (which is what Miss A had told Marshmallow). No response was received from Miss A before the deadline Marshmallow had given for the information to be provided. So, Marshmallow cancelled the policy on the grounds of non-cooperation and failure to provide information when requested.

In cancelling the policy, Marshmallow refer to *Section 14: General Conditions* of the policy, specifically the following:

*"You must give us whatever cooperation, information and assistance we require in dealing with any claim under this policy. This includes requests from us regarding further information or documentation to validate your policy. Failure to do so could result in the claim being refused and/or your policy being cancelled."*

Marshmallow also refer to the following policy term under the same section:

*"we can cancel this policy where there is a valid reason for doing so"*

One of the valid reasons is cited as *"Your failure to comply with any of the General conditions or General exclusions set out by this policy."*

Taking all the circumstances into account, I've concluded Marshmallow acted fairly and reasonably in line with the policy terms in exercising their right to cancel the policy under the terms and conditions set out above

d) *The increased cost of insurance to Miss A*

Miss A complains about the significant increase in the cost of obtaining insurance following Marshmallow's cancellation of her policy. Having a policy cancelled is inherently likely to mean a consumer pays more for insurance, as it is likely to be one of the factors taken into account by an insurer when assessing the risk presented by a consumer and therefore the terms under which an insurer will offer cover (if they decide to offer cover). So, I can understand Miss A's concern about the impact of the cancellation.

However, as I've concluded Marshmallow acted fairly and reasonably in exercising their right to cancel Miss A's policy, I can't hold them responsible for the consequences (the impact) of the cancellation in terms of the cost of future insurance offered by other insurers.

It's also likely that the two incidents Miss A was involved in – the incident in October 2024 and then the second accident in January 2025, which appears to be a fault claim on the part

of Miss A – will also have affected the cost of future insurance, as a consumer's claims history is another factor insurers will take into account when pricing a policy. I recognise Miss A said she didn't want to make a claim for the first incident, which I can see is the case in terms of claiming for the damage to her vehicle, but the fact remains Marshmallow provided assistance to Miss A and therefore incurred cost in so doing (as the policy didn't, on review, provide for breakdown/roadside assistance. And even where a policyholder elects not to make a claim for damage or loss sustained in an incident, that doesn't mean the incident shouldn't be recorded, even as a 'notification only' event.

So, while I recognise the financial impact to Miss A from the increased cost of insurance, I can't conclude this as unfairly or unreasonably due to the actions of Marshmallow.

*e) The time taken by Marshmallow to respond to Miss A's complaint*

On the issue of the time taken by Marshmallow to respond to her complaint, Marshmallow acknowledge in their final response it hadn't been prioritised, despite her vulnerability. Looking at the information provided by Marshmallow on their investigation of the complaint, it indicates a detailed consideration of the range of issues raised by Miss A, including the evidence available about what happened. This also includes the calls between Miss A and Marshmallow relevant to the various issues. There is also a detailed summary of the evidence relevant to each complaint issue, together with the conclusions reached and whether each element is upheld, not upheld or upheld in part.

So, I've concluded Marshmallow carried out a detailed and thorough consideration of Miss A's complaint. Given the number and range of complaint issues and the need to consider evidence from several sources, including from Marshmallow's agents, I don't think it unreasonable to expect this to take longer than would a more straightforward complaint with a more limited number of issues. The final response is also lengthy, reflecting the number and complexity of issues to cover. I've also noted that the final response was issued [just] within the eight-week period businesses are allowed to provide a final response to a consumer complaint.

So, while I note what Marshmallow have said about potentially giving more priority to responding more quickly to Miss A, I don't think they acted unfairly or unreasonably. Nor do I think the substance of their response would have been different, in terms of the conclusions reached on the complaint issues.

Having reached my conclusions on the individual aspects of Miss A's complaint, I've then considered what Marshmallow should do to put things right. It's clear, as Marshmallow themselves acknowledge, there have been several shortcomings in the way they've handled this case, which have led to distress and inconvenience to Miss A and a loss of expectation.

Marshmallow have awarded £500 compensation for the shortcomings they identified, in addition to the offer of an independent inspection of Miss A's vehicle and to cover the cost of any identified additional or rectification work from the repairs carried out. Having regard to the circumstances of the case, what Miss A has told us about the impact on her from what happened, as well as the published guidelines on awards for distress and inconvenience from this Service, then I think £500 compensation is fair and reasonable, and Marshmallow should pay the compensation if they haven't already done so. Similarly, they should arrange for the independent inspection of Miss A's vehicle they've offered, and to cover the cost of any rectification work identified.

As I've concluded Marshmallow's offer of compensation and an independent inspection and rectification work is a fair and reasonable response to Miss A's complaint, I won't be asking them to take any additional action.

**My final decision**

For the reasons set out above, my final decision is that I don't uphold Miss A's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss A to accept or reject my decision before 22 October 2025.

Paul King  
**Ombudsman**