

## **The complaint**

Mr A complains Marshmallow Financial Services Limited required him to pay outstanding premiums when he cancelled his motor insurance policy.

## **What happened**

Marshmallow arranged motor insurance for Mr A. He paid for it monthly. The policy was provided by a separate firm – an insurer I will refer to as M. In July 2025 Mr A was involved in a collision with a third-party (TP). He didn't claim for any damage to his car, but the TP claimed against Mr A's policy with M for the damage to their car.

In December 2024 Mr A requested, via an online discussion, that Marshmallow cancel the policy. He was told, because of the claim, he would need to pay £746 in outstanding monthly premiums. A few days later he was told he would need to pay £967, in premiums and fees, to cancel. Mr A cancelled the policy. He also complained about being asked to pay the outstanding premiums when he hadn't made a claim.

In December 2025 Marshmallow issued a complaint final response. It said the insurance terms set out that when cancelling, Mr A will be liable, if there has been a claim, to settle the payments for the remaining term of the cover. Marshmallow didn't accept Mr A's complaint that it had provided poor service.

Unsatisfied with Marshmallow's response Mr A referred his complaint to the Financial Ombudsman Service. He was still unhappy about being charged the full premium, when he hadn't made a claim.

Marshmallow then offered Mr A £250 compensation as a gesture of good will. It still felt Mr A was liable, under the policy terms, for the full premium. But it accepted he may not have understood the process, spending some time seeking clarity. Mr A wasn't satisfied with that offer, considering £400 to be a more appropriate level of compensation. He added that he wouldn't have cancelled the policy had he been told he would be required to pay the full premium.

Our Investigator found Marshmallow had acted in line with the terms of Mr A's policy. He felt it had already offered enough compensation to recognise the impact of any poor service. So he didn't recommend it do anything differently. As Mr A didn't accept that proposed outcome the complaint was referred to me to decide.

Mr A has raised concern at how the claim against him was handled. The claim was the responsibility of his insurer – M, not his broker Marshmallow. As this complaint is against Marshmallow I can't consider, here, Mr A's points about how the claim was dealt with - this includes the claim outcome and updates. Instead, I can and have considered his complaint about Marshmallow requiring him to pay the full policy premium following the cancellation.

## **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.

As this is an informal service I'm not going to respond here to every point or piece of evidence Mr A and Marshmallow have provided. Instead, I've focused on those I consider to be key or central to the issue. But I would like to reassure both that I have considered everything submitted.

It's accepted there was a claim from a TP against Mr A's policy with M. I've considered the terms of his cover with M. These do set out that he is liable, in the event of cancellation following a claim, for the monthly payments for the remaining period of the insurance. So I can't say Marshmallow has acted unfairly by requiring him, following his cancellation, to make these payments – even if it was a TP, rather than him, making the claim.

Mr A was told, before he went ahead with the cancellation, that the full premium must be paid - with no refund available unless the claim is eventually settled as 'non-fault'. For that reason, I don't accept his argument that he wouldn't have cancelled if he had been informed of the need to pay the outstanding premium.

For the above reasons I consider Marshmallow's requirement for him to pay the outstanding premiums to be fair.

Finally, I'm satisfied Marshmallow's offer of compensation is already enough to make up for any poor service its responsible for. I can see Mr A was given inconsistent information about the exact amount he would need to pay on cancellation. However, that's been cleared up. I consider £250 to be enough to make up for the limited impact this will have had.

### **My final decision**

For the reasons given above, Marshmallow Financial Services Limited must pay Mr A £250 compensation.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr A to accept or reject my decision before 16 October 2025.

Daniel Martin  
**Ombudsman**