

The complaint

Mr A complains about the way Marshmallow Insurance Limited handled a claim under a motor insurance policy.

What happened

The details of the complaint are well-known to the parties, so I won't repeat them here. Instead, I'll focus on the reasons for my decision.

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.

There is a great deal of correspondence for this complaint. I have read it all. In this decision, I won't address each point that has been raised by the parties individually. Instead, I've focused on what I think the key points are. I mean no discourtesy to either party by this; it simply reflects the informal nature of this Service.

It's important I set out the scope of my decision. I'm considering the period between 23 December 2024, when Marshmallow issued its initial final response, to 27 May 2025, when Marshmallow responded to Mr A's complaint regarding the claim handling and claim decision, which is the crux of this complaint I'm considering.

The claim

Mr A held motor insurance with Marshmallow. He raised a flood damage claim in 2024. Following a lengthy validation process, Marshmallow declined to cover the claim. It said, in brief, it wasn't satisfied the loss Mr A was claiming for was a genuine one because he hadn't demonstrated proof of ownership or purchase of the vehicle, and his submissions contained discrepancies, amongst other things. It also said Mr A was unable to provide a Certificate of Destruction, nor was it able to inspect the vehicle as it was exported abroad.

Mr A didn't think this was fair for several reasons. He said, in brief, he cooperated fully with Marshmallow's validation checks, he was responsible for the vehicle on the date of loss as per the sales invoice, the loss was a genuine one, and Marshmallow's poor claim handling resulted in an unfair claim decision. He thinks Marshmallow should pay the claim and compensate him for the distress and inconvenience caused, and his financial losses.

The Investigator didn't recommend the complaint be upheld because she was satisfied Marshmallow's concerns with this claim were reasonable and justified, so she thought its decision not to deal with the claim was fair. My review has determined the same. I am satisfied Marshmallow's decision to decline to cover this claim was a fair and reasonable one considering the concerns it had. These concerns included, but weren't limited to, the following:

- Mr A said he paid £27,000 for the vehicle in cash instalments (£15,000 deposit

followed by payments ranging from £1,500 to £3,500). The seller of the vehicle was a company Mr A was a director of. Marshmallow requested proof of payments for the vehicle which I am satisfied was a reasonable request to demonstrate Mr A had an insurable interest in the vehicle. Marshmallow has said Mr A hasn't provided this evidence which is of some concern, and I find these concerns are reasonable.

- The vehicle had outstanding finance when Mr A said he purchased it, and he wasn't aware of this fact despite purchasing it from a company he had an interest in. It also said the sales invoice and V5 document Mr A provided demonstrated its view he wasn't the registered keeper of the vehicle on the date of loss, which supports its position that Mr A had no insurable interest in the vehicle.
- Mr A said he needed to store the vehicle and by April 2024 he'd incurred around £4,000 in fees. He says the storage company then offered to write off the fees and pay him £1,000 as a salvage fee, and the storage company later exported the vehicle without his knowledge. Marshmallow had concerns about this because Mr A is the sole director of the storage company which raises questions about the necessity / validity of the fees. And the offer to waive the fees and take possession of the car amounting to £5,000 brings doubt to the condition / value of the vehicle. I find Marshmallow's concerns understandable given the unusual sequence of events and the conflict of interest between the parties involved.
- Concerns around a lack of credibility and independence of the engineer's report Mr A provided by someone Marshmallow were unable to locate on industry registers. And discrepancies over Mr A's occupation, and failure to disclose his interests as a director of companies within the motor industry, which it said was a potential conflict of interest with this claim due to Mr A's association with the parties involved.

As I've noted, Mr A has provided substantial evidence to support his claim that Marshmallow treated him unfairly. But having weighed everything up, I find Marshmallow's concerns over the validity of this claim, the information Mr A provided, and the lack of supporting evidence on Mr A's insurable interest in this claim, were reasonable and justified. It follows I am persuaded Marshmallow acted reasonably and in line with the policy terms when declining to cover the claim based on the evidence available to it at the time. Therefore, I don't require it to take any action.

The claim handling

This was a complex and protracted claim due to Marshmallow's concerns. And as mentioned above, while I find Marshmallow's concerns were reasonable and justified, I find it ought to have handled matters much better – and with a more appropriate level of customer service.

Communication during the period in which I'm considering was poor and Mr A would've suffered instances of a loss of expectation. I say this because Marshmallow communicated it would accept the claim, and it offered Mr A varying settlement offers subject to necessary checks, only later to write to him to highlight the concerns it had which I find it would more likely than not have already had been aware of when communicating settlement offers to him. And while Marshmallow was entitled to take steps to validate the claim and share its concerns with Mr A, it's handling of the same was unsatisfactory. It follows compensation is appropriate.

I've reviewed the steps Marshmallow took to put things right in respect of its practical handling of this claim. It acknowledged it didn't handle matters satisfactorily, communication was poor, and it caused Mr A distress, inconvenience and uncertainty. Considering this, Marshmallow offered to pay Mr A £375 compensation in total. All things considered – I find

this amount to be fair, reasonable and proportionate in recognising the level of distress and inconvenience its service failings had on Mr A. Therefore, if it hasn't already done so, Marshmallow should pay this amount to Mr A. I don't require Marshmallow to increase this.

I accept my decision will disappoint Mr A as I acknowledge his strength of feeling in this matter, and the efforts he's taken to support his complaint. But my decision ends what we – in attempting to informally resolve his dispute with Marshmallow – can do for him in this complaint.

My final decision

For the reasons mentioned above, I don't uphold the complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr A to accept or reject my decision before 14 November 2025.

Liam Hickey
Ombudsman