

## The complaint

Miss M complains about Marshmallow Insurance Limited's handling of a claim on her motor insurance policy.

## What happened

Miss M had a Marshmallow motor insurance policy. In September 2024, she made a claim on her policy after the car's front bumper was stolen and the bodywork damaged. Marshmallow found that the car was uneconomical to repair and declared it a total loss.

It valued the car at £12,344. This included a 20% deduction to reflect the fact the car had previously been a Category S total loss. It made further deductions before settling the claim: 30% of the car's residual value (£3,703.20) because Miss M wanted to keep it, and the £575 policy excess.

Miss M didn't accept this. She said Marshmallow had paid her £8,000 for a car worth £14,000. She complained to this service.

Our investigator recommended that the complaint should be upheld in part. He was satisfied that Marshmallow's assessment of the car's market value was fair, however he thought it had handled the claim poorly. He recommended it should pay Miss M £350 to apologise for this.

Marshmallow accepted this. Miss M didn't so the case was passed to me to make a final 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.

The policy says if Marshmallow doesn't repair Miss M's car, it must pay her its market value. It defines market value as: *"The cost to replace a vehicle with one of similar age, same make and model, mileage, and condition at the time of the accident or loss. We decide this amount and will take into consideration factors such as a valid MOT, how the vehicle was purchased, and whether it has been previously declared a total loss."* [my emphasis]

When we look at complaints about valuations, we check the relevant valuation guides and consider whether the insurer has made a reasonable offer in line with them. These guide values are based on nationwide research of selling prices. Adverts are another way of checking how much it might cost a customer to buy a replacement vehicle, however these can sometimes be misleading as sale prices are often lower than the advertised price after negotiations between buyer and seller.

Marshmallow sent us the guides it used to value Miss M's vehicle. These gave values of £15,389 and £15,429. It based the car's market value on the average of these. It then applied a 20% deduction to reflect the car had previously been written off.

Our investigator found the following valuations based on a similar make, model, mileage, and condition of Miss M's vehicle at the time of loss: £15,701, £15,539, £15,495, and £15,430. Based on this, I'm satisfied that Marshmallow's valuation (before deductions) was fair.

I agree with Marshmallow that the adverts supplied by Miss M weren't comparable to her car. And the fact a vehicle has been previously written-off can put off potential buyers, no matter how well it was later repaired. This can affect its market value. Marshmallow provided two examples to show its 20% deduction was fair. I think this was reasonable.

Under normal circumstances, when an insurer settles a total loss claim under a motor policy it retains the salvage (which means it takes possession of the vehicle in its damaged state). The insurer will often have an arrangement with a salvage dealer for disposing of the salvage and will receive an amount for each vehicle under this arrangement. This is sometimes a percentage of the vehicle's pre-accident market value and sometimes the amount the salvage dealer sells it for at auction.

When the insurer allows a consumer to retain the salvage it will usually deduct what it would have received under its commercial arrangement with the salvage dealer. Here, the deduction was 30%. Marshmallow has provided evidence from its engineer to support this. In the circumstances, I'm satisfied that this deduction was fair.

For the reasons above, I'm satisfied that Marshmallow's valuation of Miss M's car was fair. For the avoidance of doubt, I can't see any reason why Marshmallow shouldn't have applied the policy excess in this case.

Miss M told us this matter caused her significant distress and inconvenience for several reasons. In summary:

- Marshmallow's recovery agent wouldn't return the car to her home.
- She was forced to travel 120 miles to drive it home from the recovery agent's location (without the front bumper).
- This caused her great embarrassment.
- She continued to be contacted by Marshmallow after she'd got her car back.
- She spent a lot of time and money trying to resolve the claim.

The recovery agent initially appears to have been concerned by low-hanging branches from trees in the road where Miss M lives. Given these concerns, I don't think it was unreasonable for it to offer to leave the car close to Miss M's home. There was then a dispute between the recovery agent and Miss M's father which meant it wasn't willing to return the car. I think Marshmallow should have dealt with this situation better and arranged for the car to be returned to Miss M, rather than force her to have to collect it.

Marshmallow acknowledged the frustration Miss M experienced during the claim. It accepted our investigator's recommendation to pay her £350 to settle the matter. Having considered what this service might award in similar circumstances, I'm satisfied that this is fair.

Finally, Miss M told us she's unhappy about the impact this claim has had on her insurance premium. I think it's likely her premium has been affected because Marshmallow recorded this as a fault claim against her. That's not to say it was her fault the car was written off – it simply means that if an insurer can't recover its full costs, the claim is considered a 'fault' claim against the policyholder. However, if she wants to complain about her premiums she must do so to Marshmallow in the first instance.

**My final decision**

My final decision is that I uphold this complaint and order Marshmallow Insurance Limited to pay Miss M £350 to reflect the distress and inconvenience its handling of the claim caused her.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss M to accept or reject my decision before 27 October 2025.

Simon Begley  
**Ombudsman**