

## The complaint

Mr H has complained about the way Marshmallow Insurance Limited handled a claim against him by a third party under his car insurance policy.

## What happened

Mr H was involved in an accident with a third party vehicle while he was in his car. He told Marshmallow about this. When doing so he said he turned the wheels of his car to pull out from the side of the road and the third party vehicle hit his car. Based on this description, Marshmallow recorded the incident as what it referred to as a 'fault' claim because it thought Mr H's vehicle was positioned in such a way as to obstruct the other vehicle's path.

Mr H queried this and spoke with a claims agent appointed by Marshmallow, and provided a statement orally. He said he was stationary at the point of impact. Mr H contacted Marshmallow multiple times to query its decision on liability. Another claims agent told Mr H there was conflicting versions of events and sent him a message offering to send him a form on which he could provide a full written report of the incident. But Mr H didn't see this message.

In the end Marshmallow's solicitor settled the third party's claim for his car and for personal injury at £2,889. The personal injury claim was £900 of this.

Mr H found out that the third party's claim had been settled and complained to Marshmallow. In its final response it said it was satisfied its decision to settle the claim was correct. However, it accepted it should have closed the claim, and told Mr H about this, sooner. And it paid him £100 for the distress and inconvenience he'd experienced due to its failure to do so.

Mr H wasn't happy with Marshmallow's response to his complaint and asked us to consider it.

When Marshmallow submitted its evidence on the complaint to us it said it was willing to offer a further £100 as compensation for distress and inconvenience in an effort to resolve the matter.

One of our investigator's considered Mr H's complaint. She thought Marshmallow's decision to settle the third party's claim was reasonable. But she acknowledged that Marshmallow's communication hadn't been as good as it should have been. She explained Marshmallow had offered to pay a further £100 in compensation for distress and inconvenience. And she said she thought £200 in compensation in total was fair and reasonable and in line with what we'd normally expect.

Mr H didn't accept the investigator's assessment and asked for an ombudsman's decision.

He said that he did not agree with Marshmallow's decision to accept liability in full and that - at worst - liability should have been split 50/50. He thought the amount Marshmallow had paid for the third party's personal injury claim, which he thought was £2,889, was

inconsistent with the level of damage sustained to their car. And he thought this suggested insufficient scrutiny of the claim. And he didn't think compensation of £200 reflected the level of inconvenience he'd experienced, the impact on his premium of a 'fault' claim and the long term detriment of this on his record.

### **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.

I can understand Mr H's frustration with the way Marshmallow handled the claim against him. I say this because I think its communication was poor. It failed to pick up on the fact he had not seen the message online offering him the option to complete a form setting out his version of events. And then it failed to tell him that the claim had been settled. It also failed to explain to Mr H that the personal injury settlement to the third party was a lot less than he thought, instead telling him it could not provide him with a breakdown of the claim payments. It also failed to explain that the central database on which claims are recorded does not refer to fault or non-fault claims; it refers to no claim bonus allowed or no claim bonus disallowed claims. I think it would have been helpful if it had done this. And if it had also explained that, even if it had settled his claim on a split liability basis, it would still have gone down as a bonus disallowed claim and affected his no claim bonus in the same way. It could also have explained that this would most likely have had the same impact on his premium as a full liability settlement.

So, I think the overall level of distress and inconvenience experienced by Mr H due to poor communication by Marshmallow warrants a compensation payment of £200. This is in line with what I'd expect for this level of distress and inconvenience. At the point Mr H referred his complaint to us Marshmallow had only paid Mr H £100 in compensation. So, I think the fair and reasonable outcome to Mr H's complaint is for Marshmallow to pay him a further £100 in compensation. I appreciate Marshmallow offered this when it submitted its case file to us. And that Mr H said he didn't think it was enough. But I am satisfied it is.

I have noted Mr H's concern about the settlement amount paid by Marshmallow on the third party's personal injury claim. But I'm satisfied this was a reasonable amount for it to pay. I am also satisfied that the third party's claim was properly considered and scrutinised by Marshmallow's solicitor.

And I don't think a full statement setting out Mr H's version of events would have meant Marshmallow could have successfully defended the claim from the third party. It may have meant Marshmallow could have achieved a split liability settlement. And it may even have felt it worth going to court to achieve this. But, as I have already explained, this would still have resulted in a bonus disallowed claim against Mr H's record. Therefore, I do not think Marshmallow's failure to gain a full written statement from Mr H prejudiced his position in any way. Although, I appreciate it was frustrating for him.

### **My final decision**

For the reasons set out above, I've decided to uphold Mr H's complaint about Marshmallow Insurance Limited and require it to pay him a further £100 in compensation for distress and inconvenience.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H to accept or reject my decision before 24 February 2026.

Robert Short  
**Ombudsman**