

## **The complaint**

Mr S complains that Marshmallow Insurance Limited (Marshmallow) unfairly refused to pay a claim on his motor insurance policy, cancelled it and accused him of fraud.

## **What happened**

In December 2024, Mr S was involved in a motor incident, so he made a claim under his motor policy. Marshmallow declined cover for the claim. It said it didn't believe the losses presented arose from a genuine accident and referred Mr S to its policy terms which set out the consequences and actions of fraud being detected.

Mr S complained to Marshmallow about its decision on his claim. He said it was a genuine accident and claim. In its response to the complaint dated July 2025, Marshmallow said it wouldn't change its position. It said that its claims team and two independent assessors (IA) had concluded the damage to Mr S's car was not incident related and the car had a mechanical fault which couldn't have been caused by the incident. It also said that Mr S's version of events had failed to disprove its concerns.

Unhappy with Marshmallow's response, Mr S came to our Service for an impartial and independent review. He remained unhappy with Marshmallow's decision and said he'd made a Subject Access Request (SAR) to Marshmallow but didn't receive a response. Our investigator didn't think Marshmallow had declined the claim unfairly. But she said that Marshmallow had accepted it didn't respond to Mr S's SAR request on time and had offered £50 compensation as an apology for this delay which she thought was fair.

Mr S disagreed with the Investigator's view. He said that Marshmallow had refused to provide him with the IAs' reports and evidence it relied upon to accuse him of fraud. And that this has denied him the opportunity to understand or challenge the basis of its decision. Mr S also said that the suggestion that he was aware of a pre-existing mechanical fault is purely speculative and that the £50 compensation for the SAR delay wasn't sufficient.

As the complaint couldn't be resolved, it has been passed to me for 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.

I'm aware I've set out the background to this complaint in less detail than the parties have presented it. I'm not going to respond to every single point raised. Instead, I've focused on what I find are the key issues here. I assure both parties, however, that I've read and considered everything they've provided.

I've decided to not uphold this complaint and I'll now explain why.

Firstly, it's important to explain it's not my role to decide whether a consumer has committed fraud. My role is to assess whether an insurer has acted fairly and reasonably taking into

consideration all the evidence available.

When it declined Mr S's claim, Marshmallow referred to a condition of the policy which says:

*"Fraud*

*If you or anyone acting on your behalf have intentionally, recklessly or fraudulently concealed or misrepresented any information or circumstance at policy inception or renewal, or misrepresented information during renewal negotiations for the purpose of getting a cheaper price, or engaged in any fraudulent conduct, or made any false statement relating to this insurance in support of a claim, or made any claim under the policy which is in any way false or exaggerated, we may:*

- *Terminate the policy with effect from the date of any fraud which occurred during the application process and we may retain the premium; or*
- *Terminate the policy with effect from the date of any fraud which occurred during the period of insurance, charge a cancellation fee of up to £130 and refund the premium relating to the remaining period of insurance on a pro rata basis. There will be no refund of premium allowable if there has been a loss or incident likely to give rise to a claim during the current period of insurance. In either case, we will:*
  - o *Not pay any fraudulent claim or a claim which relates to a loss suffered after any fraud. o Decline your claim and/or seek to recover any money from you for any claim we have already paid which is later established as invalid, including the amount of any costs or expenses we have incurred.*
  - o *Inform the police, other financial services organisations and anti-fraud databases, as set out under the Important Notes section".*

In support of its decision to decline Mr S's claim, Marshmallow has provided two reports completed by two IAs. I appreciate Mr S thinks it's unfair he hasn't been provided with these reports. But I'm not able to share these with Mr S as they're considered confidential. But I'm satisfied the IAs who completed them were suitably qualified to give an opinion on the nature and likely cause of the damage which was noted to his car. In summary, the IAs have concluded that the accident couldn't have happened in the manner described and that the car had a serious pre-existing mechanical fault which wasn't accident related, despite Mr S stating that the car was in perfect condition.

I'm satisfied that on balance, Marshmallow could rely on the reports from the IAs. These reports could only reasonably lead to a conclusion that Mr S's account of the incident was unsupported by the evidence. I therefore don't think Marshmallow's decision to decline the claim and cancel the policy on the basis the fraud condition was breached was unfair or unreasonable. So, I won't be asking Marshmallow to reconsider, or pay anything in settlement of, Mr S's claim. Under the policy, Marshmallow is entitled to retain any premiums paid and charge a cancellation fee.

With regards to Mr S's SAR, Marshmallow provided evidence that it had responded to it on 26 September 2025. However, as there had been a delay in providing its response, Marshmallow offered £50 compensation for any distress and inconvenience caused. I think this amount is enough to fairly compensate Mr S for the impact this delay had on him and is in line with what I would've awarded had no offer been made.

### **My final decision**

Marshmallow Insurance Limited has already made an offer to pay Mr S £50 compensation. I find this offer to be fair in all the circumstances. So, my final decision is that Marshmallow Insurance Limited should pay £50 compensation to Mr S for distress and inconvenience

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 4 March 2026.

Linda Tare  
**Ombudsman**