

The complaint

Mr K complains that Marshmallow Insurance Limited (Marshmallow) unfairly increased his motor insurance policy premium at renewal.

What happened

The circumstances of this case are known to both parties, but in summary Mr K held a motor insurance policy with Marshmallow. When Marshmallow invited him to renew in July 2025, the premium had increased substantially. Mr K found a cheaper policy elsewhere and attempted to cancel with Marshmallow, after which it offered him a significant discount. He accepted the reduced premium, renewed with Marshmallow, and cancelled the alternative policy.

Mr K complained about Marshmallow's handling of the renewal as he said the premium had been unnecessarily increased given it made a significant reduction when challenged. This caused him distress and inconvenience as he had to search the market unnecessarily. Marshmallow didn't uphold Mr K's complaint as it was satisfied it had handled the renewal of Mr K's policy fairly. Unhappy with the response, Mr K referred his complaint to this Service.

Our Investigator didn't uphold the complaint as they were satisfied Marshmallow had acted fairly. They also concluded that the inconvenience of shopping around wasn't unusual and is something typically recommended to customers to ensure they are obtaining cover at a competitive price.

Mr K disagreed and asked for an Ombudsman to make a final decision. He said Marshmallow had failed to act in line with the relevant regulatory rules, it promised to renew his cover at the same cost as a new customer and failed to do that based on his research, and that it wasn't reasonable for Marshmallow to substantially increase his premium only to reduce it when challenged.

So, the case has been passed to me to decide.

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 know Mr K will be disappointed with my decision, but I do not uphold this complaint. I'll explain why.

I know I've summarised the circumstances of this case in less detail than presented. But I want to assure both parties that I've carefully considered all the information provided. I may not respond to every point or piece of evidence. But I've focused on the issues I consider to be key to the outcome of the case. This isn't meant as a discourtesy but reflects the informal nature of this Service – and the rules this Service are expected to adhere to enable me to do this.

I should first set out that this Service isn't the regulator. So, it isn't our role to direct Marshmallow on how to conduct its business or the prices it sets for its policies. These are things that fall within its own commercial judgement and isn't something this Service would look to interfere with. Instead, I have considered whether Mr K has been treated fairly and reasonably. In doing so, I have considered whether Marshmallow treated Mr K the same way it would have treated any other customer in the same circumstances.

Marshmallow has provided me with information to explain how it calculates its premiums. I can't share this information with Mr K due to its commercially sensitive nature, but I hope I can provide some assurance that this information has been considered independently of both parties to this complaint. This shows that Marshmallow's renewal premiums are calculated automatically using its internal pricing algorithms. From what I've seen, the pricing system applies the same method at renewal and for new customers, using the same information. This also takes into account many different pieces of information including the information stated within the statement of fact, the cost of claims, vehicle repairs, general market conditions as well as changes it has made to its own risk pricing structure.

Relevant regulatory rules say that firms must provide information that is clear, fair and not misleading. They also say a firm must not set a renewal price that is higher than the equivalent new business price. Marshmallow has provided me with a copy of the renewal invitation and I'm satisfied this is sufficiently clear. Marshmallow has also demonstrated that the price Mr K was quoted at renewal is the same price he would have been quoted as a new customer based on the same details within the statement of fact. So, I am satisfied Marshmallow has acted fairly in its calculation of Mr K's renewal price.

I recognise Mr K was able to obtain lower quotes through Marshmallow when searching for alternative cover on the market. However, Marshmallow has provided evidence to demonstrate that these quotes were not based on the exact same information within the statement of fact, and included changes to information such as relationship status, driving license country of issue, as well as employment. So, on balance, I am satisfied Marshmallow has demonstrated that the price it quoted Mr K at renewal is the same as what it would have quoted a new customer in similar circumstances based on his previous agreement.

Mr K has explained he was able to obtain cheaper cover elsewhere. However, each insurer is entitled to price its policies in line with its own commercial judgement. So, while Mr K was able to find quotes elsewhere at a more competitive rate than his original renewal quote, this isn't indicative that Marshmallow has acted unfairly.

I understand why the reduction after his challenge made Mr K question the original price and caused him frustration. However, while I recognise his frustration, the discount Mr K received is separate to the premium he was quoted and is a commercial judgment. Insurers sometimes apply discretionary or retention discounts, which don't reflect the underlying risk-based premium. And as I have explained above, I am satisfied the premium Mr K was quoted was fair.

I appreciate Mr K has said he was inconvenienced in having to search the market for a more competitive price. I recognise this would have been time consuming however I don't find that Mr K has been disadvantaged in carrying this out. It is widely recommended that customers regularly review the market to ensure they are getting the cover they need at the most competitive price. So, I don't find that Mr K has had to act beyond what would typically be expected of any other customer.

So, while I recognise Mr K was dissatisfied with Marshmallow's renewal quote, and the way it handled this, I don't find it has acted unfairly or unreasonably. So, I won't be directing it to take any action.

My final decision

For the reasons I have explained above, I do not uphold this complaint.

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

Oliver Collins
Ombudsman