

The complaint

Mr B complained about Marshmallow Insurance Limited's actions in connection with cancelling his motor insurance policy.

What happened

Mr B was unhappy that Marshmallow cancelled his policy for non-payment of a premium instalment. He said that he had already paid it before they cancelled.

Marshmallow cancelled Mr B's policy because he hadn't paid his monthly instalment premium payment by the cut off time and date they'd told him about, which was 11.00 a.m. on 29 July. Marshmallow had by then already extended the payment date by two weeks and had given Mr B several reminders and warnings that they would have to cancel the policy if he didn't pay by then. They said they'd also had to extend the payment time for at least four earlier months in 2025 because Mr B had a history of missed and late payments.

Mr B said he paid his monthly instalment to Marshmallow at 8:23 p.m. on 29 July 2025. He thought that because his policy cover did not expire until 11.59 p.m., Marshmallow had therefore accepted payment from him while the policy was still technically active. So he wanted them to reinstate the policy.

He was also unhappy that despite Marshmallow's cancellation they did not refund his premium payment and instead used it towards the cost of time on cover, and the cancellation charge, and pursued him for the outstanding balance. He wanted them to apologise and acknowledge what he claimed were their various communication failures and for harassing him, and to compensate him for the stress and trauma of their mishandling of the situation.

Marshmallow said they had followed the correct cancellation procedure, had waived the outstanding balance and charges, and had acted reasonably.

The investigator didn't recommend that the complaint should be upheld. They thought that Marshmallow had acted fairly and reasonably. Mr B didn't agree and so I've been asked 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.

Mr B has made a number of detailed points in his complaint. I've considered them all carefully, but I'll focus on what I see as being the key outstanding points.

I've looked at Mr B's policy. As the investigator explained, it says that Marshmallow can cancel his policy where there is valid reason for doing so, and that may include failure to pay one or more monthly payments.

Mr B's premium payment instalment was due on the 15th of each month. On 15 July 2025 tried to take the payment but it failed because of insufficient funds. Marshmallow emailed Mr B on 15 July saying the payment had failed and extending the time for payment, advising

him that *“Just so you know, we need to receive your payment by 11:00am on 29 July 2025. If we don’t, we’ll have to cancel your policy.”*

Marshmallow sent a follow up email on 28 July 2025, saying that his monthly payment was overdue and that *“We will cancel your policy if you haven’t made payment by 11am tomorrow. If you pay after 11am, please contact us via Live Chat [...] to let us know you’ve paid. Cancellations are not reversed automatically by making payment.”*

So Marshmallow’s notices were clear that if Mr B did make payment after 11.00 a.m. on 29 July, he must contact them to let them know. And if he was having any problems making the payment, he could have got in touch with them.

When Marshmallow hadn’t received payment from Mr B, or heard from him about any problems, or received a request for a payment extension, by 11.00 a.m. on 29 July, Marshmallow cancelled his policy. They emailed him on 29 July 2025 at 11.29 a.m. to confirm they’d cancelled it and that his insurance cover would end at 11.59 p.m. that night. This meant that Marshmallow did not leave him without cover for part of that day. That’s normal procedure within the insurance industry to avoid short gaps in cover and I think it’s reasonable.

But although Marshmallow would have honoured a claim for an accident while they were still on cover, the policy had still been cancelled before Mr B made payment. It simply had a forward-timed end of cover. It was not unreasonable for Marshmallow to have an earlier payment deadline, and just because their system took Mr B’s payment that didn’t override the deadline. Marshmallow’s policy or procedure here is a matter for their commercial judgment and it’s not our role to regulate or monitor businesses, or to ask them to change their policy or procedures. That is the role of the regulator, the Financial Conduct Authority (FCA).

I don’t think it was unreasonable for Marshmallow to have cancelled his policy when they did. They had already extended the date for payment and then repeatedly told him that their procedures required payment by 11.00 a.m. on 29 July. Mr B hadn’t paid by then and hadn’t asked for an extension. I think they gave him fair and sufficient warning.

Mr B said that Marshmallow had failed to meet their advertised promise about allowing flexible payments. But I think they were flexible in allowing him the extra time to pay, after the 15th. And Marshmallow have also shown that Mr B had failed to make the instalment payment on the 15th of the month at least four other times between about February and June 2025 and each time they allowed him a 14 day grace period for payment and warned him they’d have to cancel the policy if he didn’t pay by those deadlines. So there was a record of late or missed payments throughout the policy term, and Marshmallow had been flexible about those too.

Mr B said that Marshmallow didn’t issue any invoices for their charges, allocated his instalment payment to another purpose without his consent, and didn’t refund or explain the charges. He also said they abandoned his webchat about his complaint. However I’ve checked that the policy did allow Marshmallow to make those charges, and they have shown that they did notify Mr B of them and explain how they were calculated and I think that’s reasonable. I also think they did later reply in full to Mr B’s webchat within a reasonable time.

Mr B told Marshmallow in about late August 2025 that he was experiencing financial issues. Marshmallow then waived the outstanding amount and cancellation fee, and I think that was fair and reasonable of them. They’ve said that if Mr B had told them this before the cancellation deadline, they could have explored options to extend the payment period and potentially avoid cancellation. But they weren’t given that opportunity.

I see that after they waived what Mr B owed, they did later ask Mr B for a balance outstanding, but this was by mistake and they resolved and clarified that Mr B didn't owe anything more. And I don't consider their requests to be harassing. Ultimately Marshmallow waived money which they've shown that Mr B did owe them, and so I think that was fair of them.

I realise that Mr B is likely to be disappointed by my decision, but in my view, Marshmallow has acted fairly and in line with the policy terms and conditions and so I don't ask them to do anything else.

My final decision

For the reasons I've given above, it's my final decision that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 7 May 2026.



Rosslyn Scott
Ombudsman