

## The complaint

Mr M complains that Marshmallow Insurance Limited (“Marshmallow”) mishandled a claim on his motor insurance policy.

## What happened

For the year from 18 November 2022, Mr M had a motor policy with Marshmallow.

Mr M and Marshmallow renewed the policy for the year from 18 November 2023.

For the period from about 10 September 2024, Mr M had a car with a “60” registration insured on the policy.

On 23 September 2024, a third party considered that the car with the “60” registration had caused damage.

On about 30 September 2024, Mr M changed the car insured on the policy from the car with the “60” registration to a car with a “61” registration.

By 9 October 2024, the third party or their insurer had identified Marshmallow as the insurer of the car with the “60” registration and made a claim. Mr M told Marshmallow he hadn’t been involved in any incident on 23 September 2024.

On about 30 October 2024, Mr M told Marshmallow that he’d sold the car with the “60” registration before 23 September 2024.

By about 18 November 2024, Mr M complained to Marshmallow about its communication and that the claim was still open against him.

By a final response dated 5 January 2025, Marshmallow accepted that it had on multiple occasions given incorrect information about which vehicle was involved in the incident. It said it was sending Mr M £100.00.

By February 2025, Marshmallow had paid Mr M a total of £350.00.

By early March 2025, Mr M complained to Marshmallow that it had persuaded him not to cancel the policy before the incident in September 2025 and that was what had led it to register the claim against him.

After that complaint, Marshmallow didn’t send a final response within eight weeks as the Financial Conduct Authority’s dispute resolution rules required.

By a final response dated 16 May 2025, Marshmallow turned down the complaint, save that it said it was sending Mr M £25.00 for not responding within the eight weeks.

Mr M brought his complaint to us in mid-July 2025.

Our investigator didn't recommend that the complaint should be upheld. He thought that Marshmallow hadn't treated Mr M unfairly by investigating the third party's claim. He thought that Marshmallow could have done more to help minimise the stress and inconvenience caused. However, the investigator thought that £375.00 had been a fair amount for the level of trouble and upset caused.

Mr M disagreed with the investigator's opinion. He asked for an ombudsman to review the complaint. He says, in summary, that:

- Marshmallow gave him poor advice about cancellation fees and his no-claims discount ("NCD"). That was the reason he waited until buying another car to change the insurance over.
- Marshmallow failed to properly investigate the matter before admitting liability on his behalf.
- Marshmallow's handling of the situation, and the misinformation in its communications caused unnecessary distress and inconvenience.

### **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.

#### Scope of this decision

I consider that after Mr M's complaint in November 2024, and its final response dated 5 January 2025, Marshmallow reopened the complaint and paid further compensation. Later it reviewed its communication alongside his further complaint in its final response dated 16 May 2025.

So – notwithstanding that after the final response dated 5 January 2025, more than six months passed before Mr M brought his complaint to us - I've reviewed all the shortcomings in Marshmallow's communication with Mr M.

I haven't seen enough evidence that Marshmallow settled the third party's claim or that Mr M complained to Marshmallow about that before the final response dated 16 May 2025. So I don't consider that the Financial Conduct Authority's dispute resolution rules allow me to review such a complaint in this decision.

#### This decision

I've reviewed all the available chat transcripts. That includes one from 24 August 2024 when Marshmallow reminded Mr M that cancellation would involve a cancellation fee and the loss of opportunity to complete a further year's NCD.

The transcripts also include one from 30 August 2024 when Mr M said that he was swapping his old car for the car with the "60" registration with effect from 10 September 2024. That related to the acquisition of that car rather than its sale. And Mr M said he was keeping his previous car until he got the car with the "60" registration.

In any event, I'm satisfied that Marshmallow gave Mr M correct information about cancellation fees and loss of NCD. I don't accept that Marshmallow gave him advice to keep the car with the "60" registration covered on the policy even if he sold it before he replaced it.

Mr M provided a handwritten document about the sale of the car with the "60" registration.

However, if Mr M had sold that car before the incident on 23 September 2024, I would expect there to be other evidence. That might include evidence of receipt of sale proceeds. Also it might include evidence from DVLA.

Also, if a purchaser had bought the car, I would expect them to insure it, in which case the relevant database would've shown the new insurer for the car instead of Marshmallow.

As it was, the third party must've checked the database and found that Marshmallow was still the insurer of the car.

So I don't consider that Marshmallow treated Mr M unfairly by dealing with the third party's claim as a claim against Mr M's policy.

The shortcomings in Marshmallow's communication included several incorrect assertions that the car with the "61" registration had been involved in the incident. And those shortcomings added to Mr M's distress and inconvenience at an already difficult time for him.

So I've thought about what I would've found it fair and reasonable to direct Marshmallow to pay Mr M to try to put things right in relation to such distress and inconvenience. I keep in mind its nature and duration. I also keep in mind that Marshmallow acknowledged its shortcomings in communication and paid compensation.

Overall, I'm satisfied that £375.00 is fair and reasonable and in line with our published guidelines for compensation for distress and inconvenience. So I don't find it fair and reasonable to direct Marshmallow to do any more in response to this complaint.

### **My final decision**

For the reasons I've explained, my final decision is that I don't uphold this complaint. I don't direct Marshmallow Insurance Limited to do any more in response to this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 20 February 2026.

Christopher Gilbert  
**Ombudsman**