

## **The complaint**

Mr O has complained about Marshmallow Insurance Limited. He isn't happy that it cancelled his motor insurance policy.

## **What happened**

Mr O took out motor insurance policy with Marshmallow, and it asked for some further information to verify the policy. Unfortunately, the requests went to an incorrect email address and even though Mr O had provided what he thought was sufficient information to verify his address Marshmallow went on to cancel his policy.

When he complained to Marshmallow about this it acknowledged that its service could have been better including providing incorrect information to Mr O through its chat robot. Although it couldn't reinstate the policy it apologised for the mistakes that were made and offered Mr O £200 by way of compensation which it increased to £300, ensured that any adverse cancellation markers were removed, waived any cancellation costs and it agreed to cover any additional costs Mr O incurred such as increased premiums.

Our Investigator looked into Mr O's complaint, and he agreed that Mr O had been treated poorly and his policy shouldn't have been cancelled. But he thought Marshmallow's offer to pay £300 compensation in addition to covering any costs Mr O incurred was fair. He acknowledged that Mr O had raised further points in relation to costs he incurred including loss of use while he couldn't use his car for work and to transport his family amongst other things, but he thought Marshmallow should be allowed to consider this first, so this wasn't considered as part of this complaint.

Mr O agreed in the main with the position outlined by our Investigator, but he felt the level of compensation for the stress and inconvenience caused through this period should be increased. So, the matter has been passed to me for review.

## **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.

Having done so it is clear that Marshmallow didn't treat Mr O very well leading to the cancellation of his policy unfairly. This was contributed to by a number of issues including the robot chat that Mr O had to use when he was given misinformation. As all this is accepted I will simply focus on the redress and compensation level here as it is accepted the service was poor and the cancellation shouldn't have happened.

I know Mr O would like the compensation level Marshmallow eventually offered of £300 increased to £600 but I think its offer feels fair and is in line with awards this Service generally makes in circumstances like these. I know Mr O has raised the fact that he incurred additional costs as he couldn't work for the two-week period he wasn't insured but I haven't seen any evidence of this. And as our Investigator has highlighted Mr O can raise this with Marshmallow separately if he wishes and has some evidence to support his position.

However, in relation to the general stress and inconvenience caused I think the additional £100 (£300 total) is sufficient here. Our awards are generally modest, and I know Mr O feels

that the stress and inconvenience he faced goes beyond the short-term inconvenience outlined and should be towards the upper end of this Service's awards, but I haven't seen sufficient evidence to support this. Although I accept Mr O was caused a lot of stress and inconvenience and some loss of use, I think Marshmallow's offer, alongside ensuring he isn't out of pocket for any other costs incurred, feels fair.

As Marshmallow has agreed to pay any other increased costs Mr O has incurred - such as any increased insurance costs from the short term policy Mr O had to take out or his eventual full policy, waiving any cancellation cost and ensuring there is no adverse markers placed on any internal or external databases plus 8% simple interest for the time he has been without any of these costs – I think it has acted fairly. I'll simply leave Marshmallow to advance this now with Mr O, and to pay him £300 compensation. And Mr O can advance any other costs or losses he incurred due to Marshmallow's errors here separately if he wishes.

Given all of this, I think Marshmallow cancelled Mr O's policy unfairly but the steps it has taken to put things right after its error as it couldn't reinstate the policy feel fair.

### **My final decision**

It follows, for the reasons given above, that I think Marshmallow Insurance Limited's attempt to put things right after its mistake feels fair. And I'll leave it to take the steps outlined, that it has already agreed to, if it hasn't taken them already.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr O to accept or reject my decision before 6 March 2026.

Colin Keegan  
**Ombudsman**