

The complaint

Mr A complains that Marshmallow Insurance Limited (Marshmallow) cancelled his motor insurance policy and refused to pay a claim.

What happened

Mr A had motor insurance with Marshmallow. He made a claim on his policy, saying his car had been involved in an accident. At first Marshmallow was dealing with the claim and Mr A says it made him a settlement offer. However, Marshmallow then wrote to Mr A saying:

“WE ARE CANCELLING YOUR POLICY WITH IMMEDIATE EFFECT

Following investigation in this matter we are writing to confirm that we do not have any offers to make in respect of your claims or those of the other party in the alleged incident dated [date]...

We do not accept that the losses presented arise from a genuine accident that would give rise to genuine liability under this policy of insurance...”

Mr A wasn't happy about this and complained to Marshmallow. Marshmallow said:

“...I will be partially upholding your complaint.

In light of this, I will arrange for £150 as compensation to say sorry.

...Regarding the repudiation of your claim on the grounds of fraud, after reviewing the interviewers' report and the rationale provided by our claims handlers, I am unable to agree that the decision to reject your claim was incorrect. Committing fraud constitutes a clear breach of your policy terms and conditions; therefore, your policy was rightfully cancelled following the conclusion of our investigations.

Due to the nature of the rejection and subsequent cancellation, I have shared all the information I am able to regarding our concerns.

Taking everything into account, while the claim decision itself was correct, our service in relation to delays and communication after 16/10/2025 fell below the standard you are entitled to expect. For this reason, your complaint has been partially upheld. I am sincerely sorry for the shortcomings in our service, and feedback has been shared with the relevant team...”

Mr A wasn't happy with what Marshmallow said and complained to this service. Our investigator didn't uphold his complaint. She said:

“...I can see from the evidence submitted by Marshmallow the reasons why they have cancelled the policy and refused your claim. We aren't claims handlers and our approach in cases like this is to consider whether the insurer acted in line with the terms and conditions

of the policy fairly and reasonably. I can't share Marshmallows evidence with you because it's commercially sensitive. But as mentioned in the FRL dated [date], they've said the policy was Cancelled with immediate Effect (CWIE) following an investigation.

I can understand your upset and frustration by Marshmallows decision to decline your claim but I don't have any concerns as to the reason why Marshmallow rejected your claim, and cancelled your policy, nor will I interfere with the outcome, but I can see there were delay in providing you with an update on the investigations.

Marshmallow accept there has been a shortfall in managing your expectations and in proactively updating you. And because they failed to do this, this meant you had to chase Marshmallow for updates throughout the investigation...".

The investigator said she thought the compensation Marshmallow offered Mr A was broadly in line with this service's approach.

Mr A didn't agree with what the investigator said so his complaint has been passed to me. Mr A wants Marshmallow to pay the claim.

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 don't uphold Mr A's complaint. I'll explain why.

Mr A's insurance policy documents with Marshmallow said:

"Cancellation by us

We can cancel this policy where there is a valid reason for doing so.

...Valid reasons may include but are not limited to...

- *Your involvement in, or association with insurance fraud and/or financial crime...".*

And:

"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.”

Marshmallow has shared details of its investigation into Mr A's claim with this service. I can't share these details with Mr A, but I am satisfied that the investigation was thorough and the decision to cancel Mr A's policy and refuse the claim was fair and reasonable and in line with the policy terms and conditions.

Marshmallow has accepted that there were some delays and communication issues in dealing with Mr A's claim. I think the £150 it has offered him is fair and reasonable and in line with what this service would suggest, so I'm not going to ask Marshmallow to pay any more.

I understand that Mr A is very unhappy with Marshmallow's decision to cancel his policy and not share details of the investigation with him. Our investigator has already advised him to contact Marshmallow and ask if it's possible to share any more information with him.

My final decision

For the reasons given above I don't uphold Mr A's complaint. So I won't be asking Marshmallow Insurance Limited to do anything.

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

Sarah Baalham
Ombudsman