

## **The complaint**

Mr M complains that he hasn't received a refund of the initial payment he made to Marshmallow Financial Services Ltd for his car insurance policy, even though he cancelled the policy in November 2020.

## **What happened**

Mr M had car insurance arranged through Marshmallow. His policy was due for renewal in November 2020. After he'd received his renewal documents, he obtained an online quote for the same policy through Marshmallow, which was substantially cheaper than his renewal quotation. Marshmallow agreed that Mr M could accept the cheaper quotation, but he accepted the original renewal by mistake.

Marshmallow were happy for Mr M to cancel this policy and accept the cheaper quotation. So Mr M cancelled the policy on 11 November 2020. Mr M had chosen to pay for his policy by monthly instalments and when he cancelled his first monthly payment was still being processed, so his refund was delayed until 23 November 2020.

Marshmallow sent the refund to the payment card Mr M had used to make his initial payment when he first took out his policy with them in 2019. Mr M returned to the UK in 2019 after living overseas for many years. He's told us that he used a card issued on his overseas bank account to make the initial payment on his policy, as he was still in the process of setting up a UK bank account. But all further payments had been made through his UK account, and his overseas account had been closed for ten months when Marshmallow issued his refund.

Mr M was told he should receive his refund within five to ten days and contacted Marshmallow when he hadn't. He was told that the payment had been sent to his overseas account, as this was the only account they had details of, and they couldn't issue a further payment to him.

Mr M complained to Marshmallow who didn't uphold his complaint. They said issuing a refund to the original payment card was generally the only way to guarantee the refund reached the person who made the payment and protects them against money-laundering and fraud risks. They said they were sorry that Mr M no longer used the account the refund was made to and might not be able to access it, but they were unable to help him further as their records showed the refund had been successfully processed.

Marshmallow also said that they'd suggested Mr M contact his overseas bank to trace the refund. And they say that they could look to charge the refund back to his card, and then refund it to one of his other accounts. He was asked to let them know if he thought this was possible.

Mr M was unhappy with Marshmallow's response and complained to our service. He told our investigator he'd contacted his overseas bank and they'd said that a closed account couldn't receive any payments. And their process is that any payments received for an account which no longer exists reverse automatically within two to three days of the payment being made.

Our investigator considered the case and didn't think Marshmallow had treated Mr M fairly. He said that although Marshmallow had said they hadn't received a refund of the payment sent to Mr M's overseas bank, he didn't think this was correct. He said that from the records Marshmallow had sent us, their payment providers had attempted to charge a payment to his old overseas account in December 2020. This payment had failed as they said the card number was wrong.

While our investigator said this payment shouldn't have been attempted, he thought this might show that the initial refund had been sent to the wrong card. He'd tried to speak to Marshmallow about this but hadn't been able to. And the records showed a refund to Mr M in November 2019, but not one on 23 November 2020.

Our investigator didn't think that Marshmallow asking their payment providers to attempt to charge Mr M's old account again was a reasonable way to try and resolve things. Mr M had been left out of pocket and he felt Marshmallow should issue the refund again to an active account. And they should pay Mr M £100 for the distress and inconvenience of having to chase the matter.

Marshmallow responded to our investigator's view providing some screenshots from their payment provider. They said these showed that the refund sent to Mr M's overseas bank hadn't been returned to them. To resolve matters they agreed to pay the agreed premium refund of £41.93 to Mr M. But they didn't agree to pay the £100 our investigator had recommended for the distress and inconvenience Mr M had suffered. As they said they'd sent the refund to the default card registered on Mr M's account and the payment hadn't been returned to them.

Our investigator considered what Marshmallow said but didn't change his opinion. He said there might well be an error in their payment provider's recording of the refund, as the failed charge on 14 December 2020 was the same amount as they'd said was refunded in two transactions on 23 November 2020. So he felt on balance the refund had been returned to Marshmallow and Mr M hadn't received it. And as Mr M had needed to contact his overseas bank and chase Marshmallow, our investigator maintained that £100 compensation for distress and inconvenience was appropriate.

Marshmallow offered to refund the payment to Mr M again if it was returned to them, as they maintained that the payment was still with Mr M's overseas bank. Mr M didn't accept this offer, as he said he was still waiting for a first refund of his payment and had no faith that Marshmallow would send him a second payment. Marshmallow then offered to send him a £25 voucher as a gesture of goodwill for the inconvenience he'd suffered. Mr M also declined this offer.

The case has now come to be for a decision.

### **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 M made a mistake in November 2020 when he accepted the wrong quotation for his car insurance renewal from Marshmallow. He realised this quickly and contacted Marshmallow who agreed to refund his initial payment, less a small amount for the period his car had been on cover. The sum to be refunded was £41.93.

Marshmallow sent the refund to the overseas account Mr M had used to make his initial payment for his policy in 2019, before he'd set up a UK bank account. Marshmallow say that

they did this because this was the only bank account they had details of, but I'm not persuaded that this is correct. I say this because Mr M has told us that having made the initial payment from his overseas account, all further payments were made from a UK bank account. And when he cancelled his policy Marshmallow said his first monthly payment was being processed, so there'd be a short delay in the refund being made. This payment wasn't being processed from his closed overseas account, so it's difficult to see why the refund wasn't made to the account the payment had been made from.

While Marshmallow have now agreed to issue a refund of £41.93 to Mr M, they still insist that the payment sent to his overseas account hasn't been returned. This is despite his overseas bank saying that as his account had been closed, the payment couldn't have been processed and would have been returned within two or three days. And Marshmallow's payment providers receiving a refund of this amount, plus a further small payment, that could have been due to currency conversion, on 23 November 2020.

On balance I'm persuaded that Mr M's overseas bank returned the refund payment in November 2020, as his account had been closed. So I think it's right that Marshmallow should refund this sum to Mr M, as they've agreed to do. But I also think Mr M is entitled to interest on his money. So I require Marshmallow to pay him simple interest at 8% on the sum of £41.93 from 23 November 2020 until the date payment is made to him.

And I think Mr M has received poor customer service from Marshmallow while trying to resolve this matter. He's had to chase them and contact his overseas bank. They haven't provided an acceptable explanation of why they sent the refund to an account he wasn't making payments from relating to his policy. They've continued to say they didn't receive a refund when the evidence suggests they did. And I think they've unnecessarily prolonged the resolution of this matter. So I require them to pay Mr M £100 compensation for the distress and inconvenience he's experienced.

### **My final decision**

My final decision is that I uphold Mr M's complaint about Marshmallow Financial Services Ltd. And to put things right I require them to do the following: -

- Pay Mr M £41.93 in respect of the refund of his premium.
- Pay Mr M interest on this amount at 8% simple from 23 November 2020 until payment is made.
- Pay Mr M £100 compensation for the distress and inconvenience his suffered as a result of the poor customer service he's received.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 20 April 2022.

Patricia O'Leary  
**Ombudsman**