

The complaint

Miss G complains about the service provided by Marshmallow Insurance Limited that led to the cancellation of her motor insurance policy.

What happened

Miss G bought a motor insurance policy with Marshmallow on 19 February 2022 and set up monthly direct debit payments to pay the premium. They were due to be taken on the 1st day of each month. Her policy was renewed on 19 February 2023 and her payment date changed from the 1st of the month to the 19th of the month. Miss G's August payment failed. She was given until 4 September to pay it, and that was extended to 8 September. On that date, Miss G made the payment and changed the date of her instalments to the 28th of the month. That meant two further payments were due to be made that month, on 19 and 28 September. Both of those payments failed. Miss G was given deadlines to pay the outstanding amounts and warned that otherwise her policy would be cancelled. Marshmallow extended the deadline for payment but then cancelled Miss G's policy when the payment wasn't made.

Miss G complained. She said Marshmallow had changed the payment date without her knowledge and the change made it difficult to pay the amounts due. She wasn't happy her policy had been cancelled and said it had a negative impact on her finances and on the cost of her new insurance policies. Marshmallow didn't uphold the complaint. It said it clearly outlined what would happen when Miss G changed the date of her instalments and told her she would need to pay twice in one month. It also said it had shown her what her new payments would look like before she accepted the change.

Miss G wasn't happy and so brought her complaint to this service. Having done so, Marshmallow reviewed the complaint and accepted that it should have notified Miss G when it changed her due date from the 1st of the month to the 19th of the month when it renewed her policy on 19 February 2023. It offered to pay her £100 for that oversight. But it maintained its view that, otherwise, it hadn't done anything wrong.

Our investigator partly upheld Miss G's complaint. He was satisfied Marshmallow had done enough to inform her of the consequences of changing the due date for her instalments. But it had made a mistake in February 2023 by not notifying Miss G her payment dates would change from the 1st to the 19th of the month. He thought £100 was fair and reasonable compensation for the impact of that error.

Miss G didn't agree with our investigator's view and so her complaint has been passed to me to make a final decision. Miss G said Marshmallow hadn't told her what would happen when she changed the due date in September 2023. She wanted evidence of her agreement to do that. She said it never told her she'd have to pay two instalments in September 2023 and thought it had treated her unfairly.

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.

There are two issues here for me to consider here. The first is the acknowledged failure by Marshmallow to tell Miss G her payment date changed in February 2023 from the 1st of the month to the 19th of the month. It accepts it should have done that and said the result was that Miss G defaulted on all her payments for several months and paid each instalment late until 8 September 2023. Marshmallow has offered to pay Miss G £100 for the impact of that failure in service and, on balance, I think that's fair. Marshmallow notified Miss G when she missed the payment that was due and she then paid each monthly instalment. I can see why the mistake might have caused some confusion to Miss G but I can see that Marshmallow tried to rectify that by explaining what had happened and why she owed the amounts she did. So, I think a payment of £100 compensation is fair and reasonable for the impact of that error.

The second issue is whether or not Miss G was fully informed about the consequences of changing her instalment due date from 19th of the month to 28th of the month. Miss G says Marshmallow didn't tell her she'd have to pay two instalments in September 2023 if she made that change. Marshmallow says it clearly outlined what would happen. So, what does the evidence say?

On 8 September 2023 Miss G paid the arrears owed on her account, which was the premium due on 19 August 2023. On the same day, she changed her instalment due date from the 19th of the month to the 28th of the month. Marshmallow can't show me the exact details Miss G would have seen when she made that change on her account as it doesn't retain that sort of information. But it's shown me a screenshot of what a policy holder is shown when they want to change the payment date. Under "Things you need to know" it says the policy holder can only change the date once per policy year. And it then says, "Depending on when your next payment is due, you may end up paying twice this month. In that case, you may not need to pay anything in your last month."

Marshmallow also said it would have given Miss G a preview of what her payments would look like going forwards, and that preview would have shown that she needed to pay an instalment on 19 September and 28 September. Miss G says she doesn't recollect being told this. But even though Marshmallow can't show me the exact information she would have been shown, I think it's more likely than not from the evidence I've seen, that she would have been given the information Marshmallow has outlined above.

I've also seen the record of an online chat Miss G had with Marshmallow on 2 and 3 October 2023 when she queried why she was being asked to make further payments in September when she'd already made one. I think Marshmallow explained very clearly what had happened and why she was being asked to pay two further instalments in September. It reassured Miss G that this didn't mean she would pay more of her premium than was due. And instead meant she would finish paying her annual instalments sooner.

Taking all of this together, I'm satisfied Marshmallow gave Miss G sufficient information to explain what would happen when she changed her payment date in September 2023. And then explained what had happened when she was asked to make more payments than she expected.

The record of the online chat also shows that when Miss G said she couldn't afford to pay two instalments the next day, Marshmallow agreed to extend the deadline for payment until 19 October. I think that was a reasonable thing to do in the circumstances. It then contacted Miss G on at least two occasions over the next two weeks to remind her of the deadline and warn her it would cancel her policy if payment wasn't made. Marshmallow cancelled her policy when she failed to pay that instalment by the extended deadline given.

The terms and conditions of Miss G's insurance policy say Marshmallow can cancel it where there is a valid reason to do so. And one of those reasons is a failure to pay one of more monthly payments. The terms also say that it will give Miss G seven days' notice in writing by email. I can see that Marshmallow did that. So, I'm satisfied it was fair for Marshmallow to cancel Miss G's policy when she failed to pay her September instalments.

In summary, I think Marshmallow gave Miss G a reasonable amount of information about the consequences of changing her instalment date in September 2023. And, in light of that information, I think it was reasonable for her to have known she'd need to make two further payments that month. When those two payments were missed, Miss G's policy was cancelled. But I don't think that was through any fault on the part of Marshmallow.

I'm pleased that Marshmallow has agreed to pay £100 compensation to Miss G for failing to notify her that her payment dates would change from 1st of the month to 19th of the month following the renewal of her policy in February 2023. But I don't think it needs to do anything further than that.

My final decision

In light of my findings above, my final decision is that, unless it has done so already, Marshmallow Insurance Limited should pay Miss G £100 for the confusion caused by the failure to notify her it had changed her payment due date in February 2023.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss G to accept or reject my decision before 13 August 2024.

Richard Walker
Ombudsman