

## **The complaint**

Mr S has complained that Marshmallow Insurance Limited incorrectly told him he would receive a premium refund if he cancelled his car insurance policy, even though he had made a claim.

## **What happened**

Mr S bought a car insurance policy with Marshmallow. He made a claim under the policy which resulted in Marshmallow paying him a total loss settlement for his car.

Mr S was paying for his policy in monthly instalments via a credit agreement.

Marshmallow incorrectly told Mr S that he would receive a premium refund when his policy cancelled – as he didn't add a replacement car to the policy. But when he contacted Marshmallow to chase for the refund, it told him it had made a mistake. Because Mr S had made a claim under the policy, he owed the full premium.

Mr S complained to Marshmallow. Marshmallow upheld this complaint and paid Mr S £100 compensation for the distress and inconvenience its error had caused.

Mr S didn't think this was enough to resolve things for him, so he asked us to look at his complaint. He said he lost his job because of Marshmallow's error and fell behind with bills he needed to pay.

Our Investigator thought Marshmallow's compensation award was reasonable for the error. She explained that Marshmallow had correctly said the full premium was due under the policy. She saw Marshmallow had contacted Mr S a number of times to advise of the option to add a replacement car before the policy would cancel. She explained that Mr S's policy doesn't provide cover for uninsured losses, such as loss of earnings.

Mr S doesn't agree and wants an ombudsman to decide. He doesn't believe he owed the full year's premium.

## **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's no dispute that Marshmallow gave Mr S incorrect information when it cancelled his car insurance policy. Our Investigator has set out the key terms under Marshmallow's policy which explained that the full year's premium would be due in the event of cancellation when a claim had been made. So I haven't repeated it again here.

When things go wrong, we look at the impact and what an insurer did to put things right. We don't tend to ask an insurer to stand by the error if the correct policy terms should have applied. That is what happened here. But we think an insurer should compensate a customer for the loss of expectation as a result of the error.

In this case, I think Marshmallow's compensation award of £100 to Mr S is fair and reasonable. Like all other insurers, when a claim is made, the full year's premium for the policy is owed. By paying a claim, the insurer has met its obligations in full under the policy.

I understand Mr S's strength of feeling about his complaint. And I've no doubt that it was upsetting to discover that - having expected to receive a premium refund – Marshmallow didn't owe it to Mr S. But I think it has done enough to resolve the complaint. So I'm not asking Marshmallow to do any more.

**My final decision**

My final decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 17 December 2024.

Geraldine Newbold  
**Ombudsman**