

The complaint

Mr C complains that ReAssure Limited surrendered his investment bond in error.

What happened

Mr C had an investment bond with ReAssure. On 7 July 2021, his financial adviser contacted ReAssure to make a withdrawal from the bond. Mr C wanted to take the maximum tax-free amount for the year. The adviser included calculations to make it clear what Mr C wanted. A week later, Mr C called ReAssure to check the forms had been received to make the withdrawal. ReAssure confirmed that it had the instructions. On 16 July 2021, Mr C received a letter saying a chargeable event had taken place for tax purposes. He then discovered that ReAssure had surrendered his bond in error.

ReAssure apologised for its error and sent Mr C £250 compensation. It offered to reinstate his bond if he sent the money back and put things right with HM Revenue and Customs (HMRC). Mr C responded to ReAssure to say that it hadn't addressed all the issues he raised. He said the compensation was too low to reflect the stress this issue has caused him. He also explained that he was running up costs with his financial adviser having to deal with the problem created by ReAssure. He said he's lost his income of £500 per month that he was taking. Mr C, and his financial adviser, continued to communicate with ReAssure to attempt to get clarity about Mr C's tax position as well as trying to sort out a way forward.

Mr C complained to the Financial Ombudsman as he had lost faith in ReAssure and wasn't sure whether to reinvest his money with it due to the scale of the error. Mr C's adviser continued to contact ReAssure to arrange a call back to discuss a way forward but has explained that he never received a response.

Our Investigator felt the complaint should be upheld. She said that ReAssure had acted unreasonably and this had caused Mr C a great amount of distress given his age and medical condition. She recommended ReAssure pay Mr C a total of £500 compensation. She also felt ReAssure should pay for Mr C's adviser fees following the surrender as well as any lost interest.

ReAssure disagreed with our investigator. It said it felt the £250 compensation it already paid is reasonable and it has provided an option for Mr C to reinvest his funds. It didn't think it was reasonable for it to pay any of Mr C's adviser's fees and it disagreed that interest should be awarded.

Mr C feels there may be a potential tax charge due to the bond surrender and says he's lost his personal allowance and income from the bond.

I issued my provisional decision on 5 April 2022 – an extract is provided below and forms part of this decision. In this I explained what I thought ReAssure needed to do to put things right. In summary I said that it should pay an additional £500 compensation – bringing the total compensation for distress and inconvenience to £750. I also said ReAssure should pay £450 to Mr C towards his adviser's fees to cover the costs of its error. I did, however, say that I thought ReAssure had offered to put Mr C back into the position he'd have been in by

reinstating the bond, so I didn't think he'd suffered a financial loss in terms of tax and his investment bond.

Both ReAssure and Mr C responded to my provisional decision. ReAssure felt that an additional £500 compensation was excessive as it had offered to put Mr C back in the position he'd have been in had it not made an error. It said it felt an additional £250 (bringing the total compensation for distress and inconvenience to £500) would be more reasonable in the circumstances. ReAssure also asked for a copy of Mr C's adviser's invoice but didn't provide any additional comments after this was sent.

Mr C didn't feel that enough consideration had been given to his attempts to settle the issue early on. He feels that the compensation in my provisional decisions isn't enough. He also pointed out that the original cheque he received from ReAssure for £250 hasn't been cashed in so would need to be reissued.

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.

Neither party has submitted additional evidence in this complaint. I've taken on board the comments made by both parties but my decision remains the same as set out in my provisional decision – the relevant extract from this is set out below and forms part of this decision.

I would, however, like to directly address the comments that Mr C and ReAssure have made.

Firstly I do understand Mr C's disappointment. He's attempted to sort the situation out and, as I mentioned in my provisional decision, ReAssure hasn't been helpful in this regard. However, I'm mindful that there was an opportunity to put things right here in terms of reinstating Mr C's bond, and I've told ReAssure to pay Mr C the costs that he'd incur from his financial adviser that I think are directly attributable to the mistake it made. I've noted that he hasn't cashed in his cheque for the initial compensation offered so I'd expect that ReAssure addresses this by ensuring Mr C receives the full compensation.

ReAssure believes total compensation of £750 is excessive in the circumstances, but I've seen that it appears to reference what it would normally do. When looking at compensation for distress and inconvenience, I must consider the impact the error has had on the specific complainant. Mr C is elderly and suffering from a very serious illness – something that ReAssure is aware of. After it made the error, Mr C and his adviser made multiple attempts to sort the issue out and, understandably, had questions. I can't see ReAssure made an adequate attempt to engage with Mr C. So, whilst I think it has offered to put Mr C back in the position by reinstating his bond, this doesn't make the experience any less distressing for him. Mr C has had the distress of finding out his whole bond had been surrendered – disinvesting it and removing it from its tax protection. And he's had continual distress at the failure of ReAssure to engage in multiple attempts to understand the consequences and put things right. So, my decision on compensation remains unchanged. ReAssure must pay Mr C a total of £750 compensation – which is £500 more than it originally offered. Mr C says he hasn't cashed the initial cheque, and it's been more than six months so it's likely the entire amount will need to be issued by ReAssure. I will leave it to ReAssure to check the status of the original payment and ensure Mr C gets the compensation that this decision has determined.

Extract from provisional decision

Surrender of the bond

It's not disputed that ReAssure made an error in surrendering Mr C's bond. The instructions from Mr C's adviser were very clear and I can't see any reason for the bond to have been surrendered. My role here, is to determine what ReAssure needs to do to put things right. I can see that ReAssure has offered to reinstate Mr C's investment bond and tell HMRC of the error to ensure he doesn't lose out. This is what I'd expect it to do. However, Mr C has lost faith in ReAssure due to its error – and subsequent lack of communication which I'll address below – and I can understand why he may not want to reinvest. Mr C is elderly and has a very serious illness. He's relied on his financial adviser to try and get answers to questions from ReAssure but ReAssure hasn't communicated well. I've addressed where I think ReAssure could've done better below.

Financial loss

Mr C has explained that he may be liable to a tax charge due to this error. He's also said he's lost income from the bond. I've taken a closer look at this to determine whether ReAssure is responsible for any potential tax or income loss.

I understand Mr C wanted to take a tax-free amount from his bond, and he's done so on many occasions before. He refers to taking a £500 income from the bond, but that is in the form of withdrawals – rather than the bond generating that level of income. As ReAssure has offered to reinstate the bond, I can't see that it is responsible for paying any tax charge that now may come up. I can appreciate that Mr C no longer wishes to have his money in his bond with ReAssure, but I can see ReAssure has offered to put things right in the way I'd expect here. I'll address the communication attempts below, but I can't agree that ReAssure should pay Mr C's tax charge that may come out of surrendering his bond, as it has offered to reinstate it which would solve the issue.

The income Mr C was taking was withdrawals from his bond. He now has the full value of the bond so I can't agree he's lost out on his income. And as I've said above, ReAssure has offered to reinstate the bond to put him back in the position he'd have been in had it not been surrendered and this is fair and reasonable.

Communication

Aside from the error ReAssure made in surrendering the bond, I can see that it hasn't communicated effectively with Mr C. There were multiple times that Mr C and his adviser asked ReAssure to arrange a phone call to discuss the next steps without any call being received. I think the lack of returned calls really added to the stress of the situation ReAssure had caused by surrendering Mr C's bond.

Mr C is an elderly man suffering from a very serious illness. ReAssure was aware that his frequent withdrawal instructions came from his financial adviser. So, it's disappointing that it didn't, when given the multiple opportunities, liaise with Mr C or his adviser when they had asked. It's clear from ReAssure's call notes that there were a lot of attempts by Mr C and his adviser to sort the issue out but I can't see they were called back, or given a dedicated person to speak to as they had requested. ReAssure were aware of Mr C's circumstances, so I think it would've been aware of the stress this situation was continuing to cause him.

I can see that ReAssure has paid Mr C £250 for the distress and inconvenience its error caused but I don't think this is enough. The initial shock of having a letter to say his whole bond had been surrendered would've been large. But the continuing issues in communication when trying to sort it out, as well as his concerns over the tax implications that weren't answered promptly by ReAssure, has caused Mr C ongoing distress at a time of

his life when he's already suffering. So, I intend to direct ReAssure to pay an additional £500 compensation. It could've dealt with things far better. I can see Mr C was willing to reinstate his bond a number of times but ReAssure's communication continued to put doubt into his mind. So, it hasn't helped him with the difficult situation that its error caused in the first place.

Adviser costs

Mr C complained throughout that he was building up costs through his adviser trying to sort the issues out. I think it's reasonable that Mr C used an adviser to communicate with ReAssure, it appears he had been doing this previously and he wasn't in good health. I asked Mr C to provide the fees he's been charged and his adviser has sent me a copy of his invoice as well as a breakdown of the time spent dealing with the issue. There are things that I think Mr C would've been charged for regardless, so I won't be asking ReAssure to pay the full invoice. And I've noticed Mr C's adviser has charged for emails he was copied into by Mr C – but this was Mr C's decision and I don't think it would be fair for ReAssure to pay for this. But I think it's clear that Mr C has been charged for things he wouldn't otherwise have been charged for but for ReAssure's error – and the direct time that his adviser spent trying to communicate with ReAssure is something that wouldn't have been needed had ReAssure not made this error.

The invoice Mr C's adviser has sent comes to £819 inclusive of VAT. Having looked at the initial meetings prior to the issue happening, and the times where he's been copied in to emails, and the time he's chosen to communicate with this service including providing the invoice I've deducted a number of the minutes listed. I'm happy to provide a copy of this to ReAssure but having considered it all, I think it would be fair for ReAssure to pay £450 towards this invoice. This would cover the number of times Mr C's adviser tried to communicate with ReAssure and help Mr C understand what he could do to resolve the issue of the surrendered bond.

To summarise, I think ReAssure needs to do more to put things right for Mr C. I do acknowledge that it has offered to reinstate the bond and this would put Mr C back in the position he'd have been in had the error not occurred. It is up to Mr C to decide if he now wants to do that. But during the time he's tried to get the issue resolved, ReAssure hasn't communicated well which has caused Mr C significant distress and inconvenience, as well as incurring costs with his financial adviser.

Putting things right

ReAssure Limited must do the following:

- Pay Mr C a total of £750 compensation for the trouble and upset it has caused (which includes the initial £250 it offered)
- Pay Mr C £450 towards the invoice from his adviser to cover the costs he's incurred due to its error and lack of communication

My final decision

For the reasons I've explained, I uphold this complaint. ReAssure Limited must follow the instructions I've set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C to accept or reject my decision before 3 June 2022.

Charlotte Wilson

Ombudsman