

The complaint

Ms L says Liverpool Victoria Financial Services Limited (LV) failed to provide her with proper information about how it had calculated the value of her Moneybuilder policy when it matured. And she's concerned the pay-out offered isn't right and is far below what she'd been expecting.

What happened

Ms L took out her policy with another provider on 1 April 1986. She paid regular gross monthly premiums of £26.25. This provided for a guaranteed cash sum of £13,167 when she reached 60. The illustration also suggested that with added bonuses there was the potential based on certain assumptions that she could receive around £204,000 at maturity.

Ms L's policy was taken over by LV. It informed policyholders that after taking over the policies of the previous provider there had been a downturn. While guarantees would be honoured despite the fall in value of the underlying assets, to protect the solvency of the fund and not expose it to unacceptable risk, LV moved assets from equities to fixed interest investments. It also decided not to declare any further annual bonuses.

LV wrote to all policyholders in January and July 2004. It explained a separate Terminal Bonus Enhancement (TBE) wouldn't be payable as it would be included in any terminal bonus and also why they wouldn't pay annual bonuses.

LV sent statements to Ms L in the intervening years. It also responded to an enquiry from her about the value of her policy in a letter dated 12 March 2007. This gave maturity projections of £27,353 and £37,137 based on assumed rates of growth of 3.5% and 5.5% respectively. The letter confirmed figures were only examples and weren't guaranteed.

On 3 March 2022, LV wrote to Ms L as her policy was due to mature on 31 March 2022. It set out two options for taking the benefits. She could either receive a tax-free lump sum of about £40,000 or take an annuity of around £3,250 a year. She received the letter on 24 March 2022.

Due to the lower than expected benefits being offered by her policy, Ms L emailed LV on 25 March 2022 asking for information about how the maturity value was calculated, specifically when and which bonuses were added. As she didn't receive a reply, she emailed again on 29 March 2022 and 5 April 2022.

Ms L didn't receive a response to her enquiries. So, she wrote a letter to LV setting out her complaint and the information she wanted. This was sent by recorded delivery from Australia on 20 April 2022. LV issued its final response to her complaint on 3 May 2022. It apologised for the lack of response to her emails and provided a breakdown of her maturing policy. It also explained about having to remove the bonuses so as not to expose the fund to unacceptable risk.

Ms L wasn't satisfied with this response, so she referred her case to this Service. An Investigator looked at the available information and in respect of the benefits offered by the

policy and LV's eventual explanation of these concluded it hadn't done anything wrong. But he did think it should've responded to her multiple enquiries sooner than it had and so he recommended an award for distress and inconvenience of £100.

LV accepted the Investigator's view. But Ms L wasn't satisfied. She said LV's communications from 2004 onwards had led her to believe the pay-out from her policy would be far higher than materialised. For example, she thought it hadn't made the position with the terminal bonus and the related enhancement clear. And amongst other matters, she reiterated what she said was a failure to provide her with a proper explanation of how her benefits had been calculated when asked for such.

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.

Where there's conflicting information about the events complained about and gaps in what we know, my role is to weigh the evidence we do have and to decide, on the balance of probabilities, what's most likely to have happened.

I've not provided a detailed response to all the points raised in this case. That's deliberate; ours is an informal service for resolving disputes between financial businesses and their customers. While I've taken into account all submissions, I've concentrated my findings on what I think is relevant and at the heart of this complaint.

I'm upholding Ms L's complaint, but not to the extent she'd like. I'll explain why.

The first thing I've considered is the extensive regulation around transactions like those performed by LV for Ms L. The FCA Handbook contains eleven Principles for businesses, which it says are fundamental obligations firms must adhere to (PRIN 1.1.2 G in the FCA Handbook). These include:

- Principle 2, which requires a firm to conduct its business with due skill, care and diligence.
- Principle 6, which requires a firm to pay due regard to the interests of its customers.
- Principle 7, which requires a firm to pay due regard to the information needs of its clients, and communicate information to them in a way which is clear, fair and not misleading.

So, the Principles are relevant and form part of the regulatory framework that existed at the relevant time. They must always be complied with by regulated firms. As such, I need to have regard to them in deciding Ms L's complaint.

Elements of Ms L's complaint relate to the performance of her policy. Given the illustration she was provided at the outset in 1986, which suggested a potential for benefits to be worth around £204,000 at maturity, I can understand why she is disappointed with the final value delivered in 2022 of about £40,000.

However, her policy also clearly stated that she was only *guaranteed* a cash sum at maturity of just over £13,000. And as Ms L has acknowledged:

"I understand that my policy states that bonuses are not guaranteed, and subsequently, due to market conditions, LV decided to no longer declare annual bonuses."

We wouldn't usually hold providers responsible for investment performance, where these are driven by market conditions. LV hasn't treated Ms L differently to its other customers with the same product, so I can't say it acted unfairly.

In making her case, Ms L went on to say:

"...policyholders were informed by LV that future investment returns would be distributed in the form of terminal bonuses. When LV wrote to their policyholders in January 2004 and July 2004 they said the Terminal Bonus Enhancement (TBE) would be included in the terminal bonus. Thus, as per the wording of my original policy, and the actions of LV, I expected my terminal bonus to be much higher than has eventuated as it should have contained a TBE."

The letter Ms L was sent by LV in 2004 said:

"As a result of this change, we will no longer pay a separate Terminal Bonus Enhancement. Any enhancement payable as part of the distribution of [your policies assets] will now be included as part of any terminal bonus that is paid."

So, I think it was clear any further enhancement payable to Ms L would be included as part of the terminal bonus. LV has subsequently explained that 50% of the terminal bonus she received of £17,500 was for the TBE.

Ms L also said:

"I wrote to LV on 26 July 2019 enquiring about the status of my policy as I was aware it would be maturing in the coming years. After several emails...I was informed on the 19 August 2019 that the surrender value was currently 33,215.77 pounds sterling...This value led me to believe that the value of my policy at maturity would be considerably higher than that offered as the policy still had years to go and the terminal bonus plus the TBE were still to be added."

In responding LV said:

"The surrender value given in August 2019 did include the final bonus which included the TBE and there is nothing in the letter to suggest that a Final Bonus and TBE would be added. All our surrender values include final bonus as they wouldn't be a true surrender value if they didn't. I would also add that the policy increased in value by just over 20% between August 2019 and maturity date in March 2022 (this represents annual growth between these dates of about 8% per annum which is a very good return)."

I think there's an argument that the LV communications I've seen about the surrender value for Ms L's policy could've been more explicit that these included an element for any terminal bonus. But I'm also mindful such bonuses weren't guaranteed.

Overall, I think LV has now done enough to explain to Ms L how her benefits have been calculated and the circumstances that meant her original expectations for the policy didn't materialise. And I've not seen anything which makes me think it hasn't calculated her maturity value incorrectly. I think she's been offered the payment to which she was entitled.

The Investigator concluded that LV should've responded to Ms L's enquiries from March and April 2022 more quickly. And that it caused her trouble and upset in not doing so. I see no reason to depart from the award of £100 that he recommended for the distress and inconvenience it caused her and so I require Liverpool Victoria Financial Services Limited to make this payment to her.

My final decision

For the reasons I've already set out, I'm upholding Ms L's complaint but not to the extent she'd like. I now require Liverpool Victoria Financial Services Limited to put matters right in the way I've directed.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms L to accept or reject my decision before 29 May 2023.

Kevin Williamson

Ombudsman