

## **The complaint**

Mr D complains that he hasn't received the maturity value he expected from a HealthMaster Plan he took out in 1986.

Responsibility for the plan now sits with Phoenix Life Limited. To keep things simple I'll use "Phoenix" in this decision to mean them and their predecessors.

## **What happened**

The plan Mr D took out provided him with life assurance, some income protection, and – if needed – disability benefits. The policy was set to run until 2022. Mr D paid a regular premium which was invested. The cost of the insurance benefits was taken from that investment. But the plan allowed for any value left when it ended to be returned to Mr D.

Mr D's shown us a copy of the illustration he received in 1986. This said he might get back £11,205. This was qualified with a note saying what Mr D ultimately received would depend on the performance of the investment, which could go up or down.

Mr D received annual statements for the plan. These showed how many units his investment held, but didn't show their value. The plan's premium increased in 2002 and 2007, although no one's been able to send me a copy of any letters that discussed the reason for this.

In 2022, Mr D received a letter telling him his plan was due to mature with a value under £200. He ultimately received £196.90.

Mr D complained, as this was much less than he'd been expecting. Phoenix replied, saying the plan was primarily for protection – the insurance benefits it provided – rather than being an investment policy. They noted there were no guarantees given about the maturity value. They felt no loss had been suffered, even though Mr D didn't receive the value he expected.

Not satisfied with that response, Mr D came to us. I wrote last time how I intended to uphold Mr D's complaint. That was a different view to our investigator, so I gave both sides an opportunity to respond to my provisional decision.

Phoenix said they would accept the remedy I put forward. Mr D wrote to say he felt he wouldn't have continued with the policy if he'd known it wouldn't give the sort of return indicated when it began.

I've considered these responses, and am now able to make a final 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.

Having done so, my reasoning isn't changed from last time. I've decided to uphold Mr D's complaint, and I'll explain why by repeating what I wrote last time. I'll add a couple of lines to show how I've considered Mr D's latest comments.

I can see the illustration Mr D received in 1986 made the maturity value seem like it would be significant. I appreciate this amount wasn't guaranteed. But there wasn't anything to say how likely it was the plan would achieve the amount shown in the illustration.

I can accept that Phoenix may have arrived at this maturity value by looking at investment performance and insurance costs at the time. But as time went on their expectations must have changed.

The 2002 increase in the premium suggests Phoenix had concerns the investment's value wouldn't be enough to provide protection for the remainder of the plan's term, let alone provide a maturity value. That awareness should have been passed on to Mr D, to allow him to make an informed decision about whether to continue with the contract.

Phoenix have said that the main benefit of the policy was the protection it offered. So they didn't review its potential maturity value. I don't consider that a reasonable position for them to take, given how significant the maturity value appeared in the illustration given to Mr D.

I can see the annual statements show a steady drop in the number of units held in Mr D's investment. But the absence of a value meant these statements stopped short of highlighting that his plan's maturity value was unlikely to be as previously indicated. I don't consider these statements were enough to warn Mr D things wouldn't be as he was expecting.

Phoenix should have done more to explain to Mr D in 2002 and 2007 that his premium was increasing because the value of his investment wasn't going to be enough to support the plan's insurance benefits or provide a maturity value. If they had, Mr D would have had a chance at least by 2002 to consider whether the protection alone was worth the ongoing cost of the policy.

### **Putting things right**

Looking at the benefits of this policy and Mr D's circumstances, the protection benefits do look like they could have been useful for him. Any sudden changes affecting his ability to work would have affected his income in a way this plan could have helped with.

I've also considered that when Mr D took this policy out he would have had other options available to save or invest his money that didn't include the protection offered by this plan. Those may have offered more of a guarantee about the final value that would be achieved. The fact Mr D didn't choose those options in 1986 suggests he saw some added value in the protection he received from this plan.

I appreciate Mr D's said his circumstances changed over the years, in terms of needing this protection. But it was always an option to him to end the policy early and take the value it held. He doesn't appear to have done that, or looked into doing that, from what I can see.

When taken together, the above leads me to conclude that Mr D would likely have chosen to continue to have the protection offered by this plan, even if he was more aware that the redemption value wasn't going to be anything like initially estimated. There'd have always been a cost to that, which could well have been quite similar to what Mr D actually paid.

So I'm not going to have Phoenix refund or adjust any of the premiums Mr D paid over the years. But I can see that with more information about the likelihood of achieving the previously estimated redemption value, Mr D would have been better prepared.

Again, exactly what he'd have done is hard to say. But I can appreciate how distressing it is for Mr D to now have to adjust his plans and finances at a time when he may have been

expecting to be working less, and so earning less.

It's that emotional impact that Phoenix need to acknowledge. They can't undo it, but some monetary compensation will recognise the upset and unwelcome surprise Mr D felt when he at last saw the redemption value of his plan was around 50 times less than had been estimated at the outset.

Mr D was planning on a five-figure sum from his plan, to use in his retirement. The distress caused leaves Mr D with a lingering feeling that Phoenix haven't fulfilled their obligations to him as their customer.

Picking an amount here is a matter of opinion. But with the factors above in mind, I've decided Phoenix should pay Mr D £1,000 compensation for the emotional impact this matter has had on him.

That fairly balances the fact that the value Mr D was expecting hadn't ever been guaranteed, with the shock he must have felt when – after more than 35 years of paying into the plan – he found out the earlier estimates wouldn't be met.

### **My final decision**

I've decided to uphold Mr D's complaint about Phoenix Life Limited. To acknowledge the emotional impact on him, Phoenix should pay Mr D £1,000 in compensation.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr D to accept or reject my decision before 16 May 2023.

Paul Mellor  
**Ombudsman**