

## **The complaint**

Mr P complained about the maturity value of his “with-profits” endowment policy held with Scottish Friendly Assurance Society Limited (‘Scottish Friendly’). He was also concerned more generally with the level of service received since Scottish Friendly took over the administration of his policy, including late payment of his maturity claim and poor communication around this issue on top of a lack of annual statements.

The investment was provided by a financial business trading under a different name. But, to keep things simpler, as Scottish Friendly took over from the original provider, I will refer to it as the financial business that sold the investment complained about.

## **What happened**

This complaint concerns a 22-year endowment policy (‘the plan’) which commenced on 25 October 1999 and matured on 25 October 2021. Mr P paid regular monthly contributions to the plan which also provided him with life cover.

By way of background (although it’s not part of the complaint I’m looking at) I noted that in May 2021, Mr P complained when his request for an annual statement to be issued wasn’t actioned after he had contacted Scottish Friendly to find out why he hadn’t received any correspondence in relation to the plan. On 11 June 2021, Scottish Friendly issued the statement he was waiting for, with apologies for the delay, and paid him £100 compensation in recognition of the concern and inconvenience caused.

On 20 September 2021, Mr P returned his completed maturity claim form to Scottish Friendly. There was some delay in Mr P receiving his money after the policy matured as there was an issue with the maturity claim value, and funds weren’t released to him until 9 November 2021, along with a payment from Scottish Friendly reflecting late payment interest – in total, an amount of £14,549.14.

Meanwhile, Mr P complained to Scottish Friendly about the under performance of the policy over the previous year. He put his concerns this way:

*'...in spite of a rampant stock market and the promise of a sizeable bonus upon maturity, the amount payable has risen only marginally from the surrender value of £14,130.12 this time last year. This is completely unacceptable ...'*

Throughout the following five months or so, Mr P kept chasing Scottish Friendly for a response to his complaint about the maturity value. When Scottish Friendly sent its response, it said:

- Scottish Friendly allows up to five working days to process a maturity claim and this timescale began on 25 October 2021, when Mr P's policy reached its maturity date.
- Unfortunately, a system error produced the incorrect value for payment which caused a slight delay – Scottish Friendly apologised for any inconvenience this caused.
- Scottish Friendly had put things in motion with its Finance Department on 1 November 2021, so within the desired timescale for processing maturity claims but added £17.84 interest to Mr P's claim value from the period of 25 October to 1 November.
- The correct amount had been paid to Mr P on maturity. Scottish Friendly explained that although the final bonus amount was similar to the surrender value quoted the previous year, the amount was dependent on the performance of the With-Profits fund and couldn't be guaranteed as it was subject to change. So it didn't uphold Mr P's complaint that he hadn't received the amount due to him.

Scottish Friendly said it was deeply sorry for the stress and frustration it had caused when it failed to provide the updates that Mr P had requested throughout his claim. In response to Mr P's general concerns about the poor administration of his investment, Scottish Friendly said it was satisfied that his policy had been administered in accordance with its terms and conditions and it hadn't been at fault.

Scottish Friendly did however say that it had calculated late payment interest on Mr P's total claim value (£14,531.30) in respect of the period from 2 November to 9 November 2021 as it felt he was due compensation for that delay. It worked this out as £17.84. Scottish Friendly also said that in recognition of the inconvenience caused, it was awarding Mr P a further £75, and that it would pay these amounts, totalling £92.84, directly into his bank account.

Our investigator didn't feel he had seen enough to be able to uphold Mr P's complaint. He acknowledged that he had only limited information about the product literature but thought on balance that Mr P would have been made aware when he took out the policy, that the value of the final bonus could fluctuate. And whilst the investigator said there had been oversights by Scottish Friendly, his view was that the steps Scottish Friendly had already taken to put things right were sufficient. He didn't feel he'd seen enough to support Mr P's maladministration claim.

Mr P disagreed with our investigator. In brief summary, he said:

- in the final year of his policy the FTSE 100 rose by 24.7% - compared to a 2.96% increase in the value of his policy
- it took Scottish Friendly five months to investigate his complaint and it was insulting to suggest his policy hadn't been mis-managed
- he feels the policy was mis-sold to him in the first instance
- he had amassed 30 emails over the course of the matter which he could send us.

The complaint came to me to decide. I issued a provisional decision.

### **What I said in my provisional decision**

Here are some of the main things I said.

'I do appreciate how strongly Mr P feels about this complaint. I want to assure him that I've carried out an independent review and considered everything he has told me alongside the information the business has been able to provide from its records. We provide an informal complaints handling service and this is reflected in the way I've approached the complaint. It's part of my role to identify and concentrate on the core issues I need to address in order to reach a fair outcome. This means I won't necessarily mention everything Mr P has brought to my attention and I've expressed some of his concerns in my own words. But I will comment on everything that makes a difference to the outcome of the complaint and try and deal with his main points of concern.

Although Mr P has recently mentioned that he now believes he was mis-sold the policy, that's not part of his original complaint so I won't be commenting on this. If Mr P feels that he has further cause for complaint that goes beyond the scope of the complaint he brought to us, then he needs to first tell Scottish Friendly what his concerns are, so it has an opportunity to respond. If he still feels unhappy after that, he may be able to bring a new complaint to this service. We can't award redress for any complaint where the financial business hasn't first been given a chance to put things right.

It seems to me that Mr P's main concern is about the maturity value. In particular, he has said that the increase in the surrender value of the policy in its final year does not mirror the much more substantial rise in the UK stock market over the same period. Although I acknowledge Mr P's disappointment, I should explain that the nature of with-profit investments like the one he held are that they are designed to 'smooth out' returns. This means that the current values of with-profit policies do not generally mirror the sometimes volatile rises and falls in markets that are seen over the short term. Consequently, I do not consider it unreasonable that Mr P's policy value did not rise by the same percentage as the FTSE 100 in its final year. What I have concentrated on is whether Scottish Friendly did anything wrong or acted unfairly or unreasonably in any way that impacted on the policy's maturity value.

Scottish Friendly sent information showing that the accumulated bonus the year before maturity, on 25 October 2020, was £2,912.46. I think Mr P understood that the final bonus amount wasn't guaranteed – that was why he was so anxious to obtain an annual statement to check on the policy value and his complaint centres on his expectation that in the period running up to the maturity date of his investment, the level of investment gains he was aware of elsewhere would be mirrored in a bigger return on his policy.

The annual bonus for 2021 was £133.29, so the total accumulated bonus at maturity date (25 October 2021) was £3,045.75.

The maturity sum assured for the policy was £7,522.39.

The terminal bonus rate for this policy was 37.5%, so the terminal bonus amount is (Maturity Sum Assured + Total Accumulated bonus) X 37.5% = £3,963.06 (rounded up to nearest 1p).

The maturity value is the Maturity Sum Assured + Total Accumulated Bonus + Terminal bonus (7,522.39 + 3,045.75 + 3,963.06) = £14,531.20.

Based on all the information I've seen and been told, I find that Scottish Friendly has paid an amount to Mr P that accurately reflects the policy's surrender value on the date it matured. This leads me to conclude that Scottish Friendly didn't do anything wrong when it did this. It simply applied the correct bonuses applicable to Mr P's policy at maturity.

Scottish Friendly has also paid interest at the appropriate rate to provide redress for the fact the payment was made late – which seems fair and reasonable to me.

So, like the investigator, I don't uphold this part of Mr P's complaint.

But I can completely understand that Scottish Friendly's poor service issues, which it has admitted and apologised for, added significantly to Mr P's frustration generally, especially keeping in mind that it is not in dispute that Scottish Friendly didn't respond until 30 March 2022 to Mr P's complaint made in early November 2021.

As far as I can see, Scottish Friendly has offered (and paid) Mr P £175 in total in respect of distress and inconvenience. A payment of £100 was made to reflect the delays in providing Mr P his annual statement in May/June 2021. Although this does not form part of Mr P's current complaint made in November 2021 that I am considering, I have included this detail to provide overall context. A further payment of £75 was offered by Scottish Friendly relating to this complaint that I am considering about the maturity payment. In my view this isn't enough to fairly reflect the aggravation caused to Mr P when:

- it was IT issues at Scottish Friendly that initially caused its system to process an incorrect value for payment – not only was this the start of the delay that ultimately led to Mr P's money not reaching him until at least a week or so after he was entitled to expect it, I think it has fuelled his wider concern about whether Scottish Friendly has made the correct payment to him,
- Scottish Friendly admits that Mr P had to keep requesting updates it failed to provide when it should have done, which compounded Mr P's frustration and further undermined his confidence in its handling of his investment.

All in all, it's my provisional view that a total payment of £200 more fairly reflects the inconvenience and anxiety caused to Mr P by these shortcomings in the service Scottish Friendly provided to him relating to the maturity of his policy. So, it should pay an additional amount of financial compensation (I calculate that would be a further £125 if Scottish Friendly has paid Mr P the £75 offered already) to put Mr P in the position of having received £200 overall to redress this complaint.'

### **What the parties said in response to my provisional decision**

I have heard nothing further from either party and the deadline for responses has now passed so I think it's reasonable for me to proceed with my review of this complaint.

### **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.

We've set out our approach to dealing with complaints on our website and I've kept this in mind while deciding this complaint.

As no further comments have been received in response to my provisional decision that change what I think about this case, I still think it's fair to uphold this complaint for the reasons I explained in my provisional decision.

### **Putting things right**

Scottish Friendly Assurance Society Limited should pay Mr P a further £125 (in addition to the £75 already offered) in respect of distress and inconvenience.

### **My final decision**

I uphold this complaint and direct Scottish Friendly Assurance Society Limited to take the steps I've set out above to put things right for Mr P.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr P to accept or reject my decision before 17 May 2023.

Susan Webb  
**Ombudsman**