

The complaint

Mrs W's complaint is about the surrender of her mortgage endowment policy with ReAssure Limited. She believes she received a lower surrender value than she would have due to delays caused by her being given incorrect information.

What happened

Mrs W contacted ReAssure by telephone on 28 January 2022 to discuss surrendering her policy. She was told what she needed to do, the timescales involved and that the necessary forms would be sent to her. She was told the process included her needing to sign a qualifying policy declaration (QPD).

The documentation Mrs W needed to complete was sent on 5 February 2022. This didn't include the QPD. It later came to light that this form was not needed, but that was not clarified at the time.

On 14 February 2022 Mrs W called ReAssure again and asked whether she could send the forms back, but put a condition on the surrender – that it should only be processed if the value of the policy was at least a certain amount. She was told that she could. Mrs W also raised the fact that the QPD had not been included with the paperwork she had received. ReAssure said that it would be sent to her by first class post.

A week later Mrs W called again, as she still hadn't received the QPD. She was told that it could take up to ten working days for forms to be sent out. Mrs W questioned this, as she had been told it would be sent immediately on 14 February. It was noted in ReAssure's notes that the delay in providing the form had resulted in Mrs W not being able to cash in the policy and potentially in financial detriment. The call handler then checked what was needed for surrender for Mrs W's policy and she was told to send in the form she already had, as the QPD was not needed.

On 24 February 2022 the documentation needed to surrender the policy were received by ReAssure. Mrs W included the instruction that the surrender should only be processed if the value was a minimum of £56,000. A complaint about the delays was raised and Mrs W asked that the value of the policy as of 14 February 2022 be paid, as the policy would have been surrendered on that date had she been given the correct information.

The following day, Mrs W said that she wanted to proceed with the surrender, even if it was less than the £56,000. It was confirmed that the surrender would be completed as of 24 February 2022 and the surrender value was confirmed. It was agreed that Mrs W would call back on 28 February to confirm that she definitely wanted the policy surrendered.

The surrender value was paid through the banking system on 7 March 2022. She was paid £54,965.40, which was the surrender value on 24 February 2022.

ReAssure responded to the complaint on 8 June 2022. It set out the timeline of events and acknowledged that it had provided the wrong information regarding the QPD. ReAssure said

that this had caused Mrs W to make more calls to it and some of those calls could have been handled better. As such, it paid Mrs W £100 compensation.

Mrs W wasn't happy with ReAssure's response and referred her complaint to the Financial Ombudsman Service

One of our investigators considered the complaint, but she didn't recommend that it be upheld. She considered that the evidence didn't show that the surrender would have gone through earlier than it did. She was also satisfied the £100 compensation payment was an appropriate amount in the circumstances.

Mrs H didn't accept the investigator's conclusions. She maintained that she would have surrendered the policy earlier than she did and would have received a higher surrender value. She asked that the complaint be referred to an ombudsman.

Our investigator considered what Mrs W said, but it didn't change her opinion. Mrs W remained unhappy and the complaint was referred for consideration by an ombudsman.

I issued a provisional decision on 4 April 2023, in which I set out my conclusions and reasons for reaching them. Below is an excerpt.

'ReAssure has confirmed that Mrs W was given incorrect information about the forms she needed to complete. She has said that had she not been misinformed, she would have surrendered the policy earlier and received a higher amount.'

The first point that the incorrect information about the QPD created a delay is on 14 February 2022. Mrs W had received the forms she needed to complete at this point, but was not certain she wanted to surrender the policy, as she asked ReAssure whether she could make returning the forms conditional. It said yes, and I am satisfied that had Mrs W never been told she needed to complete a QPD, she would have returned the surrender forms at this point.

When we determine what would have happened if a delay had not been caused, we will use the timings of the actual events. So if Mrs W had been in a position to return the surrender form on 14 February 2022, it would have been received by ReAssure on 17 February 2022 with the condition that the surrender did not proceed unless the value of the policy was at least £56,000. At that time, the surrender value was less than £56,000 so ReAssure would not have processed the surrender immediately.

I would explain that it would be usual for a surrender to proceed based on the date ReAssure received all the necessary information needed from the policyholder. However, where that policyholder had placed a condition on the surrender, that will not be the case, unless the condition was being met on that day. In this case, had the surrender request been received when it should have been, the condition would not be met and so Mrs W's policy would only have been surrendered if she had subsequently confirmed that ReAssure could do so without the condition being met.

While in reality, ReAssure agreed to pay the surrender value as at the date the form was received, this was due to the mistake it had made. When ordering redress, I have to assess what the likely situation would have been had the mistake not been made at all. In that situation, there would have been no need for ReAssure to make concessions and backdate the surrender.

Mrs W confirmed for definite that she wanted to remove the condition for surrender four calendar days after the documentation was received by ReAssure. This was based on

having seen the surrender value continue to reduce. While the surrender value didn't decrease every day immediately after the surrender forms were sent to ReAssure, that was the overall trend. While I can't be certain on which day that continued deterioration would have caused Mrs W to call and confirm surrender, I think it reasonable that we use the same number of days as actually elapsed between the two events. That would have meant confirmation of surrender on 21 February 2022. ReAssure has confirmed the surrender value on that day would have been £55,491.92; £526.52 higher than the surrender value Mrs W received.

I am satisfied that if ReAssure had not made the mistake it did with the information it initially gave Mrs W, her policy would most likely have been surrendered on 21 February 2022. As such, ReAssure should pay her the difference between the surrender value on that date and that which she received. Interest on that sum should be paid from the date the payment would have gone through based on ReAssure's normal service standards and the date of payment.*

As for the matter of compensation, ReAssure has paid Mrs W £100 for the mistake and the additional calls she had to make to it. I think this is reasonable in the circumstances and I won't be asking it to pay more.'

Mrs W said that she was delighted with my conclusion that the complaint should be upheld. She clarified that by setting the limit in her letter, she was not saying that she would not surrender for less than £56,000, but rather that she wanted the opportunity to make an informed choice when doing so. Mrs W accepted the date I had estimated for when ReAssure would have received the surrender forms, but believes that she would have told ReAssure to surrender on the same day. As such, the surrender should be processed as of 17 February 2022, rather than 21 February 2022 as I concluded. Mrs W also asked that she be paid additional compensation for the effort she had had to go to in having to deal with the complaint since ReAssure's final response letter.

ReAssure accepted my provisional 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.

I have reviewed the file again in its entirety and I have revisited my provisional decision in light of Mrs W's recent comments. However, I have not changed my conclusions. I can understand that Mrs W, with the benefit of hindsight, believes that she would have surrendered the policy immediately following ReAssure receiving the surrender documentation. However, as that was not what she did in reality when the surrender documentation was received, I remain satisfied that 21 February 2022 is the appropriate date to use in this case for the surrender.

As for Mrs W's request that the compensation payment be increased, I have considered her reasons for making this request, but I am not going to do so. The compensation payment was for the inconvenience the error caused Mrs W. We would not make an additional award for the time and effort of making a complaint or dealing with this service if a consumer was dissatisfied with the outcome of their complaint.

My final decision

My decision is that I uphold this complaint. In full and final settlement, I require ReAssure Limited to pay Mrs W the difference between the surrender value on 21 February 2022 and that which she received, plus interest*.

Under the rules of the Financial Ombudsman Service, I am required to ask Mrs W to accept or reject my decision before 23 May 2023.

*Interest is at a rate of 8% simple per year and paid on the amount specified and from/to the dates stated. If ReAssure Limited considers that it is required by HM Revenue & Customs to deduct income tax from any interest due to Mrs W, it should tell her how much it has deducted. It should also give Mrs W necessary documentation confirming this if she asks for it, for use with HM Revenue & Customs.

Derry Baxter
Ombudsman