

The complaint

Mrs M complained that ReAssure Limited ('ReAssure') failed to pay her adequate redress after admitting that it misinformed her about whether there would be a Market Value Reduction (MVR) on surrender of her With-Profit bond.

Mrs M wants ReAssure to pay her further compensation to cover the amount of the MVR she paid.

What happened

Mrs M held a With-Profits bond and after ReAssure told her that no MVR would be applied at settlement she started the process to apply for full encashment on 13 April 2023.

The MVR reduces the amount paid out from a with-profits policy. It is intended to balance the interests of all policyholders – those who remain invested and those who want to cash-in their investment. The MVR is applied so that all investors get a fair return based on the earnings of the with-profits fund over the period their payments have been invested.

ReAssure paid Mrs M £300 by way of an apology for the inconvenience she'd been caused when it had told her incorrectly there would be no MVR applied but didn't feel further redress was appropriate. ReAssure said it spoke to Mrs M on 25 April 2023 before the payment was processed and told her the MVR would apply - and she had confirmed her agreement to proceed.

Mrs M didn't feel this went far enough to resolve things and so she brought her complaint to us and one of our investigators looked into what happened.

Our investigator didn't feel he had seen enough to be able to uphold Mrs M's complaint. In brief summary, he felt that:

- ReAssure had phoned Mrs M '*fairly promptly*' on 25 April 2023 and made her aware that a MVR of around £843 would need to be deducted
- she had the option at that point to either cancel the encashment or change her instruction to make a partial encashment
- in full knowledge of the MVR she instructed ReAssure to proceed with the full withdrawal so she had accepted that the reduction would be made
- ReAssure was entitled under the With Profit Bond valuation terms to make the MVR
- despite wrongly telling her initially that there would be no MVR, ReAssure was under no obligation to repay the MVR amount after going ahead on Mrs M's instructions when she knew it would apply.

Mrs M disagreed with our investigator. She mainly said that she'd been told at least three times that the MVR wouldn't apply and she didn't feel ReAssure was being held accountable

for its mistake. She thinks it is unfair that the MVR was applied when the bond was well past its maturity date.

As the complaint hasn't been resolved, it comes to me for 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.

I sympathise with Mrs M – I can completely understand that what's happened has been upsetting and frustrating for her. But having thought about everything I've seen and been told, I've independently reached the same overall conclusions as our investigator.

It's my understanding that the crux of Mrs M's complaint is that because ReAssure made an error when it wrongly told her (more than once) that the MVR wouldn't apply when she encashed her bond, it should now pay her an amount that reflects the extent to which she's out of pocket due to the MVR being applied.

ReAssure has admitted it initially misinformed Mrs M about the MVR, so I don't need to say more about this, except I agree that Mrs M was materially misled on this issue. My main focus is on deciding what redress is fair and reasonable in this situation.

There's information on our website which explains the Financial Ombudsman Service approach to redress. Briefly, I need to decide what the impact on Mrs M has been as a result of ReAssure making this error. And when thinking about what redress is fair and reasonable, it's important to keep in mind that the ombudsman approach is to try to put Mrs M back into the position she would've been in but for ReAssure's mistake.

I must first decide what the consequences were for Mrs M of ReAssure misinforming her about the MVR.

ReAssure has shown me that, before completing Mrs M's instructions, it corrected its mistake by providing her with accurate information about the MVR she would incur if she went ahead. I've carefully listened to the call recordings of Mrs M's discussions with ReAssure when it explained the MVR would apply and I am satisfied that she was very clear that she still wanted to proceed with encashment in any event.

I understand that Mrs M had already taken other action in anticipation of surrendering the bond (when she didn't expect the MVR to apply) and she planned to use the money from the bond surrender to replace savings used to open an ISA. But this does not affect the outcome. I can't fairly say that it was ReAssure's mistake that led to Mrs M having to pay the MVR. That was a consequence of her deciding to go ahead with encashment even after finding out about the MVR.

The relevant terms and conditions provide for the MVR to be applied so ReAssure was entitled to do this.

For this reason, I can't fairly say that anything ReAssure did directly caused Mrs M to suffer financial loss.

I can see how ReAssure's handling of matters would certainly have caused Mrs M distress and inconvenience. But I think the £300 payment ReAssure has made already is fair compensation for this. ReAssure has paid an amount that is in line with the level of award I consider fair to reflect the extent and impact on Mrs M of the frustration and inconvenience

experienced as a result of the misinformation it provided. So I don't think it would be fair to require ReAssure to make any additional payment here.

In my decision, I have concentrated on what I consider to be the main points that affect the outcome of this complaint. I'm sorry to disappoint Mrs M. But as I'm satisfied that ReAssure dealt with her complaint fairly overall, despite having made a mistake when it told her wrong information, I'm not telling it to take any further action.

I hope that setting things out as I've done explains how I've reached my conclusions and even though this isn't the outcome Mrs M hoped for, she will at least feel that the Financial Ombudsman Service has fully considered her complaint.

My final decision

My decision is that I don't uphold this complaint. Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs M to accept or reject my decision before 1 April 2024.

Susan Webb
Ombudsman