

The complaint

Mr and Mrs V complain about the way ReAssure Limited has administered two savings policies they held.

They say:

- There has been a failure to provide information about the maturity of the policies.
- The policies have been incorrectly amalgamated.
- They are unhappy with how the policies dropped in value in the period leading up to maturity.
- The overall service they've received from ReAssure Limited has been poor.

What happened

Mr and Mrs V held two savings policies. In August 2020, ReAssure took over the management of the policies. ReAssure says the original policy was topped up, so although the policies were linked, they were separate and had different maturity dates.

Policy one had target sum on maturity £66,000 and was set to mature on 1 February 2022. The premiums were £149.82 per month.

Policy two had a target sum on maturity £15,095 and was set to mature on 1 October 2021. The premiums were £40.38 per month.

Mr and Mrs V didn't receive any communications about the maturity of the policies before the set end dates. So, in March 2022, they contacted ReAssure about the maturity of the policies. They raised queries about the lack of communication and the value of the policies. ReAssure agreed to send maturity forms. Mr and Mrs V continued to chase this information over the following weeks. Eventually they were sent surrender forms and they signed and returned payment release forms for the maturity of both policies on 19 April 2022.

On 25 April 2022, ReAssure raised a payment of £63,947.85 (figure includes a payment of interest of £226 which was raised the next day) – and the funds arrived in Mr and Mrs V's account shortly afterwards. A further payment was raised on 10 May 2022 of £13,998.68 (figure includes late interest payment of £114) – again the funds arrived shortly afterwards. ReAssure confirmed this was the full settlement and apologised for the inconvenience caused.

But Mr and Mrs V remained unsatisfied with the response to their queries, so they raised a complaint.

ReAssure responded to the complaint. In summary it said:

- It apologised to Mr and Mrs V for the inconvenience for having to make several contacts and for initially receiving the incorrect value.
- It authorised the extra payment totaling £13,998.68 (mentioned above) and this included late payment interest.
- It usually sends maturity forms six to eight weeks prior to the maturity date, but

regrettably due to a system error when the policies migrated to ReAssure, the address wasn't transferred correctly.

- The policies were amalgamated when they transferred to ReAssure, but they were still operating on the original basis, which would be a different start date and a different maturity date on the respective coverages.
- It apologised for the poor customer service journey Mr and Mrs V have had with ReAssure and arranged for £500 to be transferred to their bank account for the inconvenience caused.

Mr and Mrs V still didn't feel their complaint had been answered fully, so they referred it to this service for an independent review.

One of our investigators looked into the complaint. He found that ReAssure needed to do more to ensure that the correct payments had been made to Mr and Mrs V for their policies.

He asked ReAssure to do the following:

For policy one, it should take policy value at the set maturity date (£63,722.16 - the value as of 1 February 2022) and add 8% simple interest from this point to 27 April 2022 (taking into account when the settlement was made). If this is more than the £63,947.85 ReAssure paid on 27 April 2022, it should pay the difference, plus 8% simple interest from 27 April 2022 to the date of settlement. ReAssure agreed to do this and explained the calculated difference would be £723.38 (£64,671.23 - £63,947.85) interest on this to date would be £51.46 – so there was a loss of £775 (rounded to nearest pound following addition of both parts) to be paid.

For policy two, it should take the policy value at the set maturity date (£13,692.17 - the value as of 1 October 2021) and add 8% simple interest from this point to 11 May 2022 (taking into account when the settlement was made). If this is more than the £13,998.68 ReAssure paid on 11 May 2022, they should pay the difference, plus 8% simple interest from 11 May 2022 to the date of settlement. ReAssure agreed to do this too and explained the calculated difference is £226.11 (£14,224.79 - £13,998.68) interest on this is £15.53 to date - so there was a loss of £242 (rounded to nearest pound following addition of both parts) to be paid.

He found the offer of £500 for the distress and inconvenience suffered due to ReAssure's handling of the situation was fair and reasonable compensation for what happened.

ReAssure agreed to calculate and pay the compensation the investigator suggested.

Mr and Mrs V didn't agree. They said they didn't agree with the calculation produced by ReAssure. They questioned the justification for deducting tax from the interest amount. They said this should be paid gross, and because it has been deducted ReAssure hasn't paid all of the interest due.

They also said they didn't think £500 was sufficient compensation for all of the problems they had encountered.

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.

Firstly, I acknowledge that Mr and Mrs V had faced multiple problems in receiving the maturity proceeds of their policies. There was a lack of timely communication about the maturity, issues with systems having the wrong address after migration meaning

maturity packs weren't sent and problems with how the payments were eventually paid. All of this has caused considerable distress and inconvenience for them. ReAssure's handling of the situation has caused Mr and Mrs V confusion and frustration. It has also led to them having to spend considerable time having to chase things up and get this sorted.

I note ReAssure has accepted that it didn't handle the maturity correctly. It has apologised and admitted that errors were made and delays caused. I agree there have been failings by ReAssure that have had a practical and emotional impact on Mr and Mrs V. An offer of compensation has been made. I agree it is appropriate that compensation is paid for the impact of these failings. I will return to this later in my decision when I explain what ReAssure needs to do to put things right.

Mr and Mrs V raised concerns about their policies being incorrectly amalgamated. I've reviewed ReAssure's explanation on this point. It has confirmed that when the policies were migrated, they were amalgamated as there was a link between them relating to a top up of an original policy. But it also said the policies were still separate in the sense they had different maturity dates. I've not found reason to say ReAssure has done something wrong here and I accept the explanation it has given. So, I don't require it to do anything further in this respect.

I now moved to the key element of the complaint – that is whether Mr and Mrs V have been paid the correct value for the policies – including the interest due for the late payment. I note ReAssure has accepted the investigator's view that more needs to be done to ensure the correct amount is paid – with interest due because of the delay in settlement.

Essentially ReAssure needs to ensure that Mr and Mrs V have been paid the correct amount. I've reviewed all of the information that has been provided. I agree with the investigator that the payments made so far are not sufficient. Mr and Mrs V should receive the correct maturity value for each policy at the relevant date and they should be paid interest on this amount up until it has been correctly paid. I note there has been disagreements about the precise date the funds were received and the amounts paid, but I agree that the investigator has correctly set out the relevant facts. In conclusion, I find ReAssure needs to do more to ensure Mr and Mrs V are paid the right amount for their policies.

Putting things right

By following the steps below, this will allow ReAssure to accurately compensate Mr and Mrs V for the maturity of their policies:

Step one

Calculate how much each policy was worth at the relevant maturity dates.
For policy one this is the value on 1 February 2022.
For policy two this is the value on 1 October 2021.

Step two

Add 8% simple interest on the amount determined in step one up to the date the maturity payments were made.
For policy one this is 27 April 2022*
For policy two this is 11 May 2022

* I note Mr and Mrs V have provided bank statements that show the funds settled in their bank account later than this date. ReAssure has shown it sent the funds a few days earlier.

So, this delay is likely to be due to banking clearing timescales. Using this date as a mid-point is fair and reasonable in the circumstances.

Step three

Take the figure calculated in step two for each policy and subtract the amounts that have actually been paid (for policy one this is of £63,947.85 (£63,721.85 plus the £226 late interest paid) and for policy two this is £13,998.68 (which included a payment of £114 for late interest)

If this calculation results in a less being paid than should have been this is Mr and Mrs V's loss.

Step four

Add 8% simple interest on any loss identified from step three, from the date the maturity payments were received (as set out in step two) to the date settlement is made.

My understanding is that ReAssure has agreed to follow the methodology I have set out. I note ReAssure considers that it's required by HM Revenue & Customs to deduct income tax from the interest. But Mr and Mrs V would like the interest to be calculated on a gross basis. In these circumstances ReAssure should tell Mr and Mrs V how much it's taken off in tax. It should also give them a tax deduction certificate, so they can reclaim the tax from HM Revenue & Customs if appropriate. I note ReAssure has agreed to do this. I think this is reasonable position to take in the circumstances.

Compensation for distress and inconvenience

Turning to the compensation that needs to be paid for the distress and inconvenience suffered by Mr and Mrs V as a result of ReAssure's failings. An offer of £500 has been made. I've considered whether this amount is a fair and reasonable in the circumstances. The impact of ReAssure's failings has caused considerable distress, upset and worry – and inconvenience. This leads me to find that the amount of compensation should be more than a token monetary payment. I have carefully considered Mr and Mrs V's comments on why they think more compensation should be paid. But I consider a £500 payment to be in line with what I would award had ReAssure not made the offer. It follows that what has been offered is fair and reasonable, so I don't think it needs to pay anything further in this respect. I understand the payment has already been paid to Mr and Mrs V, so this means there is nothing further to pay for this part of the complaint.

My final decision

I uphold the complaint, and direct ReAssure Limited to pay compensation in line with the methodology I've set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr and Mrs V to accept or reject my decision before 7 December 2023.

Daniel Little
Ombudsman