

## **The complaint**

Mr and Mrs A complain about the service provided by Scottish Friendly Assurance Society Limited (Scottish Friendly) after they requested the surrender of a unit linked savings plan with life cover ('the policy').

## **What happened**

Mr and Mrs A took out the policy with a different financial business and they'd been paying into it for more than thirty years. Scottish Friendly became the new policy administrators in 2019.

After paying the policy proceeds to Mr and Mrs A, Scottish Friendly said it had paid out to them in error as its records show the policy was assigned to a third party in 1986 – and it had no record of the policy ever having been re-assigned.

Scottish Friendly asked Mr and Mrs A to contact the business that has the benefit of the policy (the 'assignee') and obtain written confirmation that it has no ongoing interest in the policy. Otherwise, it said Mr and Mrs A should return the policy proceeds to Scottish Friendly.

Scottish Friendly told Mr and Mrs A that by way of an apology for its error and the service issues they had encountered, it was prepared to waive £100 of the monies due to be returned – and if they could provide Scottish Friendly with a letter of 'no interest', it would allow Mr and Mrs A to keep the full amount paid to them and send them an additional £100 compensation.

Mr and Mrs A have attempted unsuccessfully to identify and contact the business that replaced the assignee so they've been unable to obtain the 'no interest' declaration that Scottish Friendly has requested. They brought their complaint to this service.

When our investigator looked into Mr and Mrs A's complaint, he said that Scottish Friendly could ask Mr and Mrs A to return a payment made in error but its actions had caused them significant inconvenience and he felt £200 compensation was fair overall.

Mr and Mrs A haven't objected to anything the investigator said in his view. They've said however that they still can't get any written response from the business they believe is the successor assignee – although they've been told on the phone that it doesn't recognise the policy.

Scottish Friendly disagreed with the investigator's recommendation, mainly saying that it hadn't received the withdrawn funds back from Mr and Mrs A and it felt the £100 redress it awarded was sufficient for the errors which occurred on its part.

So the complaint 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've looked at the complaint afresh and having thought about everything I've seen and been told, I've independently reached broadly the same conclusions as our investigator.

We offer an informal dispute resolution service and we focus on deciding whether a financial business has made any error or acted unfairly or unreasonably. We are impartial and we make our decisions based on a balance of probabilities.

I must take into account the relevant law, regulatory requirements and best industry practice when making my decision. But to be clear, it's not within my remit to decide any underlying legal question if the issue of entitlement to the policy proceeds can't be resolved informally between the parties.

So my approach is to concentrate on the service issues that Mr and Mrs A have complained about and decide whether Scottish Friendly has done enough to put things right after admitting it made an error.

The background facts are not in dispute. Scottish Friendly was contacted by Mrs A at the end of May 2023 when she first enquired about encashing the plan she and Mr A held, now with Scottish Friendly. The call handler she spoke to failed to tell Mrs A that alongside other requirements that were mentioned, it would also need her 'wet signature' and that Mr A, as the joint policy holder, also needed to sign the letter requesting surrender of the policy. Scottish Friendly didn't say anything at this stage about the policy having been assigned to a third party or suggest it couldn't in any event process the surrender request.

Mrs A sent a letter the next day with the incomplete information Scottish Friendly had asked for – which prompted a letter back to her explaining that it needed instructions with a wet signature from Mr A, which Scottish Friendly received on 12 June 2023.

However, it wasn't until a week or so later that Scottish Friendly wrote to Mr and Mrs A telling them that their claim couldn't be processed because its records showed the policy had been assigned to a third party financial business. Scottish Friendly provided the assignee information it had recorded and apologised that this hadn't been mentioned in previous correspondence and for the inconvenience this might cause.

Given the exchanges there had already been between the parties, I can appreciate it was particularly annoying for Mr and Mrs A to learn (nearly three weeks after Mrs A had first approached Scottish Friendly and they'd provided what was asked for) that the surrender request couldn't be processed.

The situation was aggravated by the fact that Scottish Friendly then mistakenly paid the policy proceeds to Mr and Mrs A – and straightaway asked for the money back. This has left Mr and Mrs A in a difficult situation. The latest information I have is that they haven't paid back the policy proceeds. But this means they are living with the uncertainty and strain of not knowing how this will all work out.

Mrs A has explained the impact this is having on her health and I sympathise – what's happened seems not to be a problem of Mr and Mrs A's making. And having regard to their personal circumstances, keeping in mind their age and Mrs A's poor health, I think they've already taken reasonable steps to try and put things right.

Mr and Mrs A could of course pay the money back to Scottish Friendly. But I don't think that's going to put their minds at rest. It's clear from the phone calls I've heard that one of Mrs A's main worries is about whether their money is safe.

But I've taken into account that Scottish Friendly is entitled to request Mr and Mrs A to return money it thinks it has wrongly paid to them. And it was reasonable that Scottish Friendly considered and suggested an alternative resolution would be for Mr and Mrs A to obtain a statement of 'no interest' from the assignee.

I think the phone calls Mrs A had with Scottish Friendly were handled appropriately. I've carefully listened to the call recordings provided. The call handlers tried to assist, for example by providing Mrs A with contact details for the likely successor assignee (since the financial business Scottish Friendly had noted in its records no longer existed and its business had been acquired).

It's unfortunate that, despite repeated attempts, Mrs A hasn't been able to get any proper reply from the business that Scottish Friendly's information suggests is likely to be a successor assignee. She says she has phoned a number of times and emailed all the documents and, whilst she's been told the policy cannot be located, her request for written confirmation has been ignored. A different financial business has already confirmed the policy isn't assigned to them. So her frustration is completely understandable. But it's fair to say that ultimately, even if Scottish Friendly had told Mr and Mrs A upfront that there was an issue with the policy being assigned, this would always have been a frustrating situation.

Overall however, I agree that Mr and Mrs A were entitled to expect a better level of service from Scottish Friendly than they experienced.

Fair compensation for this needs to properly reflect the impact on Mr and Mrs A of Scottish Friendly's service failings on this occasion. I haven't been provided with evidence that shows Mr and Mrs A are worse off in money terms as a result of Scottish Friendly's poor service.

The £200 suggested by the investigator matches the level of award I would make in these circumstances had it not already been proposed. I consider it fairly reflects the extent and effect on Mr and Mrs A of the delays and shortcomings in the service Scottish Friendly provided to them on this occasion. I don't doubt that Scottish Friendly's poor handling of matters, as described above, caused Mr and Mrs A significant worry and inconvenience. I am satisfied that £200 is in line with the amount this service would award in similar cases and, despite what Scottish Friendly says, it is fair compensation for Mr and Mrs A in their particular circumstances.

I don't consider that any redress should effectively be contingent on Mr and Mrs A paying back the policy proceeds and simply keeping back for themselves an amount to reflect compensation. That feels unfair to me. So Scottish Friendly should take the steps I've set out below to put things right.

### **Putting things right**

Scottish Friendly should pay £200 compensation to Mr and Mrs A.

### **My final decision**

I uphold this complaint and direct Scottish Friendly Assurance Society Limited to take the steps set out to put things right for Mr and Mrs A.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs A and Mr A to accept or reject my decision before 19 March 2024.

Susan Webb  
**Ombudsman**