

The complaint

Mrs T has complained about Sun Life Assurance Company of Canada (U.K.) Limited (Sun Life). She said Sun Life had reduced the surrender value of her with profits policy. She was of the understanding that annual bonuses would be added permanently.

Mrs T would like Sun Life to reinstate the annual bonuses that have already been paid to her.

What happened

Mrs T holds a with profits policy with Sun Life, that it calls a life plus plan. She original took the plan out in 1986.

Mrs T said she received a statement from Sun Life in April 2023, and it showed the surrender value of her policy had significantly dropped. She could also see the annual bonus had decreased too. She said when the policy was sold to her, she was informed annual bonuses would be paid into a cash reserve fund permanently and couldn't be taken away.

Mrs T said she would like Sun Life to reinstate her annual bonus amounts she had already received. She complained to Sun Life about this.

Sun Life said in response that it didn't agree with Mrs T's complaint. It said annually it reviews the bonus rates and surrender values of all its existing policy holders. It said its review is based on investment performance of the fund and future expectations. As part of its review, it allocates each policyholder a fair surrender value.

Sun Life said as a result of interest rate rises over 2022, the value of bonds held reduced. It said the surrender values decreased reflecting the lower value of assets available to pay policyholders who choose to cash in their policy.

Mrs T was not happy with Sun Life's response and referred her complaint to our service.

An investigator looked into Mrs T's complaint. She said she didn't feel Sun Life had been unfair and wouldn't be asking it to do anything further. She said she hadn't seen anything that suggested once annual bonuses were added, they were guaranteed. She said surrender values were not guaranteed as per the terms and conditions, which she said, Mrs T agreed to when she took out the policy. She said the same applied with reversionary bonuses.

Mrs T was not in agreement with the investigator's view. She said the investigator's view seemed to be based primarily on what Sun Life are stating now rather than what was stated when she bought the policy in 1986. She said she has always accepted bonuses were not guaranteed. But the important point is that when they were added they became a permanent addition. She said she has not seen anything that differentiates between death benefit and the surrender value.

As Mrs T's complaint has been unresolved, it has been passed to me, an ombudsman, to look into.

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 am not upholding Mrs T's complaint and I will explain why.

I have read Mrs T's comments carefully and in particular her response to the investigator's view. I acknowledge what Mrs T has said and understand the points she has made. She has referred to policy documentation that she received when she was sold the life plus plan. She has pointed to terms given within the policy document and also a life plus brochure that she said states clearly that bonuses she received are added permanently to the value of her plan.

Mrs T said within the policy document she received it said, *"On request the company will pay any cash surrender value including the cash value of any bonuses."*

Mrs T said within the life plus brochure she received it said *"Bonuses are normally added annually to the basic sum assured, thus increasing the amount of protection. Once allotted these annual bonuses become permanent additions to your policy and cannot be taken away"*.

Along with *"even after the end of the premium paying period the reserve fund will continue to grow and bonuses will still normally be added every year thus increasing the total amount of life cover protecting your dependents and increasing the reserve fund by their cash equivalent"*.

I have read the documents Mrs T has referred to but I don't think it is made clear within them or that it was stipulated by Sun Life that annual bonuses would be added permanently and that this would be reflected in the surrender value each year.

I can see that from the outset the policy provided a guaranteed minimum death benefit of £30,000 and that Mrs T was paying regular premiums into the policy. Mrs T would then over the lifetime of the policy, receive annual bonuses and these would ensure that her death benefits would increase steadily each year. This would be the sum assured, the reversionary bonus and a terminal bonus. In Mrs T's 2023 statement, these three amounts added up to £37,981. This being a total that was more than the guaranteed minimum death benefit.

So, the £30,000 guaranteed amount has now been eclipsed within Mrs T's policy and her beneficiaries would be due to receive more than this. This is due to Mrs T paying into her policy over the years, and by her receiving bonuses each year that have gone into increasing the amount of life cover provided. I think, on balance, the terms Mrs T has mentioned above, from the life plus brochure provided, is about this. Both terms stated by Mrs T stipulate that bonuses are added every year and are added to the basic sum assured and increase the total amount of life cover. When I see the statement that Mrs T received in 2023, I can't see that this didn't happen.

Mrs T also referred to a term provided in the policy document about the surrender value, but I don't think it is clearly stated here that the surrender value is guaranteed year on year and will steadily grow. Rather it simply states that Sun Life will pay on request a surrender value, including the cash value of any bonuses.

Sun life has said that it reviews once a year, first of all what the annual bonus rate will be for its policy holders and then calculates what the surrender value of what each policy is, based on investment performance and what it forecasts will happen in the future. I don't think it is doing anything wrong here and I don't think it is breaching any terms that it has provided to policy holders when it does this.

In conclusion, after reading the policy document brochure sent in by Mrs T and considering the arguments she has made, I don't think Sun Life has done anything wrong and are managing her policy as it said it would do under its terms and conditions. So, as I have drawn this conclusion, I won't be asking it to do anything further.

I appreciate that my decision will be disappointing for Mrs T, and I acknowledge the strength of her feelings in the submissions provided. But based on everything I have read and the findings I have given, I don't uphold her complaint.

My final decision

My final decision is that I do not uphold Mrs T's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs T to accept or reject my decision before 21 March 2024.

Mark Richardson
Ombudsman