DRN-4598107

The complaint

The estate of X (the estate) complains that Halifax Life Limited ('Halifax Life') has not paid the correct surrender value received in August 2021 in line with how the fund had risen.

To resolve the complaint, the estate would like Halifax Life to pay the difference between what it has calculated, and the amount received.

What happened

In December 2005, Mrs C was advised to invest £40,000 in a Personal Investment Plan (PIP). Mrs C remained invested until her passing in 2021 when the investment was surrendered and paid to the estate.

The estate wasn't satisfied that the surrender value was correct; it didn't think the amount paid represented the fund growth of around 30% between 2014 and 2019. It asked Halifax Life to provide a detailed calculation proving that Mrs C would have achieved a 30% gain had Halifax Life re-invested the income paid out during the period she was invested.

Halifax Life, in response, explained that when the investment was encashed, the amount it paid was affected by several factors including the invested fund unit holding in addition to the bid price of the units, which was subject to daily fluctuation. It also confirmed the quarterly distribution payments from March 2006 until June 2021 were paid out rather than accumulated within the plan so the investment wouldn't have risen in line with the amounts the estate has claimed.

The estate rejected Halifax Life's answer and referred his complaint to this service. An investigator at this service found the complaint shouldn't be upheld and concluded that he was satisfied by the information provided by Halifax Life.

As the estate hasn't agreed, I've now been asked to review the complaint.

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.

Having done so, I've reached much the same view as the investigator and for broadly the same reasons.

The type of investment Mrs C held was setup to receive quarterly payments for the primary purpose of providing regular income payments. Those payments would have varied each quarter depending on the performance of the bonds, equities and other financial instruments the fund was invested in as well as taking into consideration any charges that applied. But more importantly, these quarterly payments would have been deducted from the overall investment pot. Between 2014 and 2019, Mrs C received close to £10k in distribution payments, therefore these payments would have affected the overall growth of the investment.

The estate, however, maintains that irrespective of the distribution from the income earned the fund ought to have grown by £11,400 based on the rise in value of the fund between May 2014 to May 2019.

Halifax Life has explained that whilst this isn't a precise calculation because *"the unit price lookup is based on the income payment date, that may or may not have been the actual price applied if the funds were used to purchase more units of the fund"*, it has calculated that *"an additional 2503.756 units would've been held if the income was reinvested. The value of those units at the claim date would be £11,311.97, giving a total claim value of £48,291.51"*, thereby being in the region of the 27.9% growth shown on the fund factsheet.

I can understand why the absence of level of detail the estate has requested might lead to a lack of confidence that Halifax Life has correctly done everything it should've. But I've seen nothing to suggest the surrender value is incorrect or more favourable than what ought to have been paid. So, Halifax Life is under no obligation to provide more than it already has.

My final decision

My final decision is that I don't uphold the complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask the estate of X to accept or reject my decision before 2 April 2024.

Farzana Miah
Ombudsman