

The complaint

Mr B complains that the endowment savings plan he was sold by Sun Life Assurance Company of Canada (U.K.) Limited trading as Sun Life Financial of Canada ('Sun Life') in 1992 was unsuitable for him and he's suffered a loss as a result.

What happened

I issued my provisional decision of January 2024 in which I said that, while I intended to reach the same overall conclusion as the Investigator and upheld this complaint, I proposed a change to how fair compensation should be calculated to put things right. A copy of the background to the complaint, and my provisional findings, are below and form part of this final decision.

What I said in my provisional decision

What happened

Briefly:

- In 1992, Mr B met with an adviser of Sun Life for savings and investment advice.
- Sun Life recorded some information about Mr B's circumstances. Amongst other things it noted that he was 34, single and he lived with his parents. He was employed, he had around £173 a month disposable income, he had around £1,600 in cash in the bank and he had two existing qualifying savings plans – both had the same sum assured of £5,940 – he was paying £20 a month each for. He also had a separate life policy with a sum assured of £29,521 he was paying £25 a month for.
- Sun Life recommended Mr B contribute £25.75 a month into an endowment savings plan invested in a managed fund with a sum assured of £17,175. The reason for the recommendation was that Mr B wanted to increase his savings after discussion about his overall financial situation and that he was looking at a 25 year term.
- Mr B accepted the recommendation and he paid into the policy until 2009, at which point he surrendered it and received just over £3,570.
- In 2023 Mr B complained to Sun Life, using the services of a representative, about the suitability of the advice he received.

He said he was single and living with his parents at the time, and with the likelihood his circumstances would change in the medium term, a 25 year inflexible plan wasn't appropriate for him. He said as a single person with no dependants he was paying for unnecessary life cover within the plan, and he said there was no evidence Sun Life assessed his attitude to risk to ensure the advice was suitable.

- Sun Life didn't uphold Mr B's complaint because it believed the advice was suitable.
- Mr B brought his complaint to us and one of Investigators upheld the complaint. They said they didn't think the advice to invest in an endowment policy for 25 years invested in a managed fund was suitable. They said while they accepted Mr B wanted to save regularly, they couldn't be certain what level of risk he wanted to take. They said his circumstances were likely to change in the future, and given he already had life cover he didn't need any additional cover.
- Sun Life disagreed and it asked for an Ombudsman's decision.

What I've provisionally 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 intend to uphold this complaint. My reasons are set out below.

- Sun Life's recommended Mr B should invest in a 25 year savings endowment plan. I think given Mr B's circumstances, a recommendation to save or invest per se wasn't wholly inappropriate as it appears his short term savings needs were met and it was affordable. And I accept it could generally be considered prudent for a consumer to save or invest for the longer term. But looking at the advice paperwork from the time, Sun Life did not establish what Mr B's savings objective was. It's recorded that he wanted to increase his savings – but it's unclear why a term of 25 years was considered appropriate here. It doesn't for example appear to correspond with a future planned event or an intended capital expenditure requirement.
- I think, without establishing a clear objective for Mr B's investment, a recommendation to invest in a 25 year term endowment savings plan – what I consider to be an inflexible product because there were penalties for early surrender – was not suitable for him.
- Perhaps of most significance here is the endowment savings plan provided life cover. And while I accept the inclusion of life cover meant the plan met the qualifying policy rules, in my view Mr B had no apparent need for life cover and certainly no need for additional life cover of £17,175. It's not recorded why this sum assured was chosen. But in any event, Mr B was single, he had no financial dependants and he was living with his parents. Mr B also had no outstanding liabilities. It was recorded that he already had life cover of around £40,000 via his existing saving plans and life policy – he also had death-in-service benefit of three times his salary.
- Mr B's primary purpose was to save – not provide life cover. Mr B was relatively young, so the cost of the cover might not have taken up a significant portion of his monthly premium. Nevertheless, along with the charges for the plan, the cost of the life cover would've had an impact on the performance or return on the recommended investment.

Unfortunately, Sun Life hasn't been able to provide the cost of the life cover and so produce an illustration showing the extent of the impact this had on the projected returns. So, I've not seen anything to demonstrate that the plan offered a reasonable prospect of a worthwhile return. But in any event, because Mr B had no need for additional life cover, I think the recommendation to invest using an endowment savings plan meant he was paying for something he didn't need. So, in the circumstances I think the recommendation was unsuitable.

- Sun Life recommended Mr B should invest his monthly premiums in a managed fund. But I can't see that it carried out any kind of assessment of the level of investment risk he was prepared to take with his investment. And in the circumstances, I think it ought to have done. I can see Mr B had two existing savings plans he was contributing £20 a month each to. In what fund type these were invested in wasn't recorded. But given Mr B had invested before, and in light of his broader circumstances, I think it's likely he was prepared to accept some risk with this investment; albeit I'm not persuaded Sun Life's recommended product was appropriate for him.

For these reasons I intend to uphold this complaint.

Fair compensation

In assessing what would be fair compensation, I consider that my aim should be to put Mr B as close to the position he would probably now be in if he had not been given unsuitable advice.

I think Mr B would have invested differently. It is not possible to say precisely what he would have done, but I am satisfied that what I have set out below is fair and reasonable given Mr B's circumstances and objectives when he invested.

What should Sun Life do?

To compensate Mr B fairly, Sun Life must:

- Compare the performance of Mr B's investment with that of the benchmark shown below and pay the difference between the fair value and the actual value of the investment. If the actual value is greater than the fair value, no compensation is payable.
- Sun Life should also add any interest set out below to the compensation payable.

Income tax may be payable on any interest awarded.

Portfolio name	Status	Benchmark	From ("Start date")	To ("End date")	Additional interest
Endowment savings plan	No longer in force	FTSE UK Private Investors Income Total Return Index	Date of investment	Date ceased to be held	8% simple per year on any loss from the end date to the date of settlement

Actual value

This means the actual amount paid from the investment at the end date or surrender date in 2009.

Fair value

This is what the investment would have been worth at the end date had it produced a return

using the benchmark.

Why is this remedy suitable?

I have chosen this method of compensation because:

- Mr B wanted capital growth and was willing to accept some investment risk.
- The FTSE UK Private Investors Income Total Return index (prior to 1 March 2017, the FTSE WMA Stock Market Income total return index) is a mix of diversified indices representing different asset classes, mainly UK equities and government bonds. It would be a fair measure for someone who was prepared to take some risk to get a higher return.
- Although it is called income index, the mix and diversification provided within the index is close enough to allow me to use it as a reasonable measure of comparison given Mr B's circumstances and risk attitude

Responses to my provisional decision

Mr B, through his representative, said he had nothing further to add.

Sun Life replied and said it had referred the redress calculation to its actuarial team.

I clarified with Sun Life that at this stage I was simply seeking any comment to my provisional decision and whether it wanted to provide further information – not to carry out a loss calculation. Sun Life hasn't replied with anything more.

Because the deadline for responses to my provisional decision has now passed, I think if Sun Life wanted to say anything more in response it would've done so by now. So, I think it is fair to progress matters and issue my 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.

Because neither party has given me anything new to consider, and Sun Life's response implies that it agrees with my provisional decision, I see no reason to change my mind. So, I've reached the same overall conclusion as my provisional decision and for the same reasons. I uphold this complaint.

Putting things right

Sun Life should pay Mr B fair compensation in line with the methodology I set out in my provisional decision under the headings 'Fair Compensation' and 'What should Sun Life do?' which forms part of this final decision.

My final decision

I've decided to uphold this complaint and I direct Sun Life Assurance Company of Canada (U.K.) Limited trading as Sun Life Financial of Canada to put things right as set out in the section above. I make no other award.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 7 March 2024.

Paul Featherstone

Ombudsman