

The complaint

Mr M complains he was given misleading information by Metropolitan Police Friendly Society Limited (trading as Metfriendly) about the performance of his stocks and share ISA. He says this meant there was a shortfall in the expected payment when he cashed it in.

What happened

In June 2021, Mr M made a lump sum investment of approximately £86,000 into a stocks and shares ISA. The ISA was held in Metfriendly's with-profits fund.

In February 2023, Metfriendly sent Mr M his annual statement for 2022. This provided a value of his investment as at the end of 2022. This stated the value was £88,727.73 based on the contributions plus bonuses as at 31 December 2022.

In August 2023, Mr M contacted Metfriendly to discuss surrendering his investment. During this call it was explained there would be a market value reduction (MVR) applied to his ISA, reducing the pay out by approximately £9,000 on surrender. Following this Mr M raised a complaint as he felt he had been mis-led about the performance of his investment by the information he had received from Metfriendly. He requested that it made up the shortfall in the value compared to what was detailed in his last statement.

Metfriendly responded to the complaint but didn't uphold it. In summary it said:

- Due to the stocks and shares element of the with profits fund, Metfriendly reserve the right to apply a MVR during adverse investment conditions, to ensure all members of the society who keep their plans invested, and those who choose to withdraw during a time where the reduction is being applied, are treated fairly.
- While the with profits fund has seen an increase in value in 2023, this has not been sufficient to eliminate the need to apply MVR's. The reductions will be lifted once the market recovers, and if you leave your plan invested, the MVR will not affect you. The reduction currently only affects policies up until their fourth anniversary.

As Mr M remained unhappy with the response he'd received from Metfriendly, he referred the complaint to this service for an independent review.

One of our investigators issued an initial assessment. She didn't think the complaint should be upheld. In summary she said:

- There is a difference between the information provided in an annual statement and a redemption statement. The annual statement shows what the investment is worth for the period the statement covers and the redemption statement shows what you'll get if you surrender at that time.
- The annual statement as of December 2022 is correct. It shows the total amount of contributions plus the applied bonuses at a rate of 1.5%.

- As Mr M requested a redemption statement Metfriendly applied an MVR to the current value. Its MVR is 11% of the value of the investment, but this wouldn't be applied if the investment is held for a minimum of four years onwards.
- She was satisfied it was fair for Metfriendly to apply an MVR to the investment. The product literature provided by Metfriendly explained the possibility of an MVR. This details the product is intended to be held for the medium to long term and any early withdrawals during the time which the MVR applies will be affected by it.
- Applications of an MVR isn't isolated to Metfriendly alone, as this is an industrywide practice applied to with-profits funds. This is because the purpose of applying an MVR in adverse times is to be fair to all of its customers ensuring that long term customers are not further affected by the early withdrawal of investments.

Mr M didn't accept the investigator's findings, so the complaint has been referred to me to reach a decision.

Mr M acknowledge the information provided from Metfriendly's product literature, but still felt it had been disingenuous in the publication of an annual statement showing an inaccurate valuation of a policy which was not retrievable without obtaining the real valuation as part of a redemption statement. He maintained that he thinks the annual statements are misleading and that the period of time the MVR is applicable is vague at best.

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, to be clear I haven't considered how the ISA was sold to Mr M initially. If he has concerns about anything to do with this, he would need to raise this separately.

I've considered the points Mr M has raised as part of his complaint about whether he was given misleading information about his investment by Metfriendly through the annual statements it sent him. In his view, the statements are misleading because the value detailed, wasn't the value that was available to him when he sought to surrender his investment.

I haven't found evidence to indicate the value detailed in the 2022 annual statement was inaccurate. The statement clearly provides the value of the ISA as at 31 December 2022, and gives details of the bonuses applied for that year to show what it was worth at this time.

It is apparent that Mr M's concerns arose when he sought to surrender the investment, and he discovered an MVR would be applied to the pay-out. This meant he wouldn't be receiving the value he understood he would get from his statement. So, I'm satisfied the value didn't change, but it was effectively reduced by a form of surrender penalty.

I note the annual statement does contain information about possible MVRs and directs the account holder to obtain further information. It says:

"Metfriendly operates a With-Profits Fund which allows us to smooth out many of the peaks and troughs in market fluctuations, but not the huge swing seen in 2022. When this happens, we put a Market Value Reduction in place to make sure that Members who want to surrender their policies don't receive more than their fair share of the funds. This tends to affect only Members who want to access their funds in the short term. For more information

about your annual statement, as well as further details of Metfriendly products, please read the enclosed booklet or view it at: metfriendly.org.uk/ASguide

The attached guide provides further information about the possibility of an MVR on surrender. So, it does indicate Mr M was given information within the statement that would give him details of the surrender process and the possible application of an MVR.

The purpose of the annual statement wasn't to provide Mr M with a surrender quote, and I accept the surrender value could only be accurately given by Metfriendly when it received a request to cash in. But I also accept Mr M had a genuine expectation that his policy would pay him the amount detailed in the annual statement, and he wasn't expecting this to be reduced by an MVR. But I don't think this means Metfriendly must have misled him. When he inquired about surrender, it provided him with the current position with regards to the application of an MVR that was in place at the specific time he made his query about surrendering. I'm satisfied he was given accurate information at this time. For the reasons given I don't find that Mr M was misled by Metfriendly when it provided the value of his investment in the annual statement.

As the investigator explained, MVRs are a common feature for investments in with-profits funds, and as explained in the product literature, reductions are applied on surrender values when there are downturns in fund performance. It does appear that Mr M could avoid paying an MVR if he held his investment for four years, but this won't help him if he had a requirement for the funds sooner than this. As explained above, I haven't considered the sale of the policy as part of this complaint, so I've not considered how this was explained to him when he first invested.

Having considered the evidence available, I haven't found reason to say Metfriendly has made an error in how it provided Mr M with information about the value of his investment. I appreciate this will come as a disappointment to Mr M, but I don't require Metfriendly to do anything further.

My final decision

I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 5 December 2024.

Daniel Little
Ombudsman