

The complaint

Mrs M and Mrs B have complained – in their capacity as trustees of the Mr T M trust – that Aviva Life & Pensions UK Limited made a series of errors when they made a decision to end the life policy and cash it in.

The trustees have been represented in the complaint to Aviva and to this service by Mr M.

What happened

Mr and Mrs M bought separate whole of life policies from Aviva, insuring each other's lives. In 2015, they put the policies into trust. This complaint is about Mr M's policy, the trustees of which are Mrs M and their daughter, Mrs B.

In late 2022, Mr M wrote to Aviva advising them that he wanted to stop paying premiums and cash in the policy. He enclosed an authority signed by him, Mrs M and Mrs B. In response, Aviva requested Mrs B – who had changed her last name since the trust was created – provide evidence of that name change. Mrs B dealt with the name change as Aviva wanted.

Over the next few months, Aviva sent various letters to Mr M and to Mrs B. These provided inconsistent information about whether the policy had any cash in value and, if so, what that was. This led Mr M to complain in early 2023.

In their response, Aviva apologised for the errors in earlier letters and said that the value of the policy had fallen below zero because its costs had been higher than the premiums paid. And they confirmed that the policy had lapsed. To compensate Mr M for what had happened, Aviva said they would send him a cheque for £100.

Mr M continued to correspond with Aviva, who again apologised, confirmed the policy had no cash in value and said they would pay Mr M a further £250 compensation. Mr M and the trustees weren't satisfied with this resolution so brought the complaint to our service.

Our investigator reviewed all the available information and concluded Aviva had fallen short in how they'd dealt with Mr and Mrs M and Mrs B, but the total of £350 compensation they'd offered was fair to recognise what had happened. She noted there'd been no financial loss, as the policy had a zero value at the time Aviva were first contacted about cashing it in. And she confirmed that new complaint points raised at the time she gave her view of the complaint would have to be dealt with by a separate complaint to Aviva.

The trustees didn't agree with the investigator's complaint. So I've been asked to make 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.

Having done that, I'm upholding the complaint Mr M's made on behalf of the trustees. But I don't think Aviva need to do more than they've already offered to resolve it. I'll explain why.

Our role is to decide whether businesses have dealt with their customers fairly and reasonably. We recognise mistakes do sometimes happen. If they do, we decide whether a business should do something to put things right. Our starting point for that is to think about the position a customer would have been in had nothing gone wrong.

In this case, there's no dispute that Aviva provided Mr M with contradictory information about the cash in value of his policy over several months. I understand that was frustrating for him and the trustees. And that some of the letters they received led them to believe the policy had a cash in value – which wasn't the case.

But Aviva confirmed in their final response letter and subsequently that, by the time they were contacted about cashing in the policy, it had no cash in value, as all the premiums paid were being used to provide the life cover. Aviva ceased collection of premiums in late 2022, when Mr M first contacted them. So I can't say Mr M, or the trustees were in a worse financial position than they would have been, had they had the right information sooner.

Mr M has disputed the conclusion he suffered no financial loss and says he doesn't believe Aviva would have continued to provide life cover if the plan had no value. I can't speculate in my decision – rather, I rely on the testimony of the parties and the evidence they provide. Aviva have said the cover was provided by the premiums Mr M was paying. I've no evidence to show that wasn't the case.

And Mr M has suggested that Aviva's management of the funds will have caused him financial loss. He's based that partly on correspondence Mrs M has received about a policy which is not the subject of this complaint. While I understand Mr M's position, it's not reasonable for me to conclude that his policy had the same issues, or to speculate here on the level of any financial loss that may have caused him. If Mr M wants to pursue that, he will need to raise that with Aviva as a new complaint

Putting things right

I've explained above why I don't think this complaint has led to any financial losses. But it's clear that Mr M and the trustees have been frustrated and inconvenienced by Aviva's handling of their queries.

Aviva have recognised their shortcomings and offered to pay Mr M a total of £350 compensation. I think that sum is fair. It's made up of a first offer of £100, and a second payment of £250. Mr M acknowledges he's received payment of £250 by bank transfer. But he's never received the £100, which Aviva said they would send him by cheque. Aviva haven't provided any evidence to show it was sent.

So I think Aviva should now pay the £100 they've previously said they would. But I don't think they need to do any more than that to resolve this complaint.

My final decision

For the reasons I've explained, I'm upholding the complaint Mrs M and Mrs B have made about Aviva Life & Pensions UK Limited and directing Aviva to pay them a further £100 compensation.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs M and Mrs B as trustees of the Mr T M Trust to accept or reject my decision before 24 May 2024.

Helen Stacey

Ombudsman