

## **The complaint**

Mr and Mrs D's complaint relates to their policies with Aviva Life & Pensions UK Limited. They are unhappy with the administration of the policies, including that they didn't receive maturity funds when they thought they should and premiums continued to be taken when they thought they should not have been.

Mr and Mrs D's policies were taken out with a different life assurance company, but they were subsequently transferred to Aviva and it is responsible for this complaint. For ease, I will refer to Aviva throughout.

## **What happened**

In 1997 Mr and Mrs D took out a HomeProvider policy, which was a mortgage endowment policy. The policy provided life and critical illness cover and it had a term of 25 years – maturing in November 2022. The policy had a target value of £78,120 and was invested in a mixed unitised fund. I will refer to this policy hereafter as the endowment policy.

Shortly before the endowment policy was due to mature, Aviva wrote to Mr and Mrs D to remind them of this fact. It also told them what they had to do, and what documentation they needed to provide, in order for the maturity value to be paid. Aviva chased Mr and Mrs D about the maturity a month later, but they didn't respond. The maturity value was £65,634.15.

Alongside the joint mortgage endowment policy, Mr and Mrs D were recommended a HomePartner policy each. At the time, rather than having a portfolio of different types of protection policies, the original life assurance company had a flexible protection product that could have benefits and a term selected to provide the cover that an individual consumer needed. The policy was built on the "bones" of a whole of life policy, which is why these policies had been referred to as such during the complaint. However, Mr and Mrs D's policies didn't provide life cover and were not for a whole of life term.

The policies Mr and Mrs D were recommended were set up to provide permanent health insurance (PHI) over a term to end when they reached age 65. The policies were designed to provide an income, after the deferral period selected, if the policyholder was unable to work due to a qualifying health situation. The monthly premium was indexed by retail price index (RPI) each year and the benefit amount increased annually too. However, there was also a review feature built into the policy, which meant the premium was reviewed periodically to ensure enough was being paid to maintain the benefits going forward. The reviews happened every five years. I will refer to these policies as PHI policies hereafter.

Mr D's PHI policy application was accepted in 1997 and it was set up. However, due to a medical situation Mrs D had experienced, her PHI application was declined at that time. Mr D has told us that he stopped paying into his PHI policy in 2021 following the premium increasing to a level he considered was too high.

In 1999 Mrs D had a review to establish whether she had any protection needs. Following this she again applied for a PHI policy and this time her application was accepted. Mrs D

stopped paying the premium to her PHI policy in September 2023, but she did not instruct Aviva to cancel or surrender it.

Aviva wrote to Mrs D in October 2023 to tell her that the direct debit mandate paying her PHI policy had been cancelled. It enclosed a new direct debit mandate form for Mrs D to complete and return. Mrs D didn't respond to Aviva and the following month it wrote to her and told her that the cost of maintaining the PHI policy and its benefits would be deducted from its value until that value was exhausted.

### The complaint

Mr and Mrs D complained to Aviva in November 2022. They said they were unhappy to have received notification that the premium for what they believed to be their endowment policy was to increase, as they thought it was a fixed term policy. In addition, Mr and Mrs D said that they were unhappy the fund holding had not been moved into a cash fund before maturity and that Aviva had not offered them advice about doing so. Furthermore, they raised concerns that they weren't able to view the endowment policy online, as they found calling from the country they were resident in difficult. The policy number Mr and Mrs D provided was that for Mrs D's PHI policy.

Aviva responded to the complaint in a letter dated 9 December 2022. It said that the review and premium increases on Mrs D's PHI policy had been completed correctly and in line with the policy terms and conditions. In relation to the fund the PHI policy invested in, Aviva told Mr and Mrs D that changes to the fund being invested in had to be instigated by the policyholder. It was also confirmed that the PHI policy couldn't be viewed online and there was no requirement in the terms and conditions for Aviva to provide that service.

The complaint was referred to this Service and one of our Investigators considered it. She didn't recommend that the complaint be upheld as she didn't think Aviva had acted unreasonably or unfairly.

Mr and Mrs D didn't accept the Investigator's conclusions as they considered she had misunderstood their complaint. They repeated that the proceeds of their endowment policy were missing. They also said they didn't understand why Mrs D's PHI policy hadn't matured, as both it and the endowment policy had terms of 25 years.

Following further correspondence, it was established that Mr and Mrs D hadn't claimed the maturity value of the endowment policy, which was why it hadn't been paid. The Investigator also confirmed what Mrs D's PHI policy was a whole of life policy and so didn't have a maturity date.

Mr and Mrs D decided they wanted to surrender Mrs D's PHI policy and claim the maturity value of the PHI policy. They questioned that they were receiving the maturity value of the endowment policy a year after it had matured and said they wanted interest to be paid on the value. They also said they considered both the policies had performed poorly.

Another of our Investigators reviewed the complaint at this time. She set out what the policies were and explained why the maturity value of the endowment policy hadn't been paid. She also commented on the performance of that policy and explained that there had never been any guarantees linked to what they would get back at the end of the term. As for the administrative issues Mr and Mrs D had raised – not being able to access information about policies online and telephone lines being engaged – the Investigator didn't think Aviva had done anything wrong. However, in light of the problems Mr and Mrs D had reported in contacting Aviva, the Investigator had asked it for a specified member of staff that Mr and Mrs D could contact directly in relation to surrendering their policies.

Mr and Mrs D highlighted that they had asked for the endowment policy and Mrs D's PHI policy to be surrendered in December 2023, but they had not been. They said the reason they complained to this Service was the fact that they'd found it impossible to contact Aviva to be paid. They said they didn't have any paperwork to fill in and were not happy to do so. Mr and Mrs D said that as we were not willing to help them surrender the policies, they felt they had wasted eight months by contacting us.

Subsequently Mr and Mrs D raised concerns that the copy of the maturity pack we provided them with didn't include an address to return the documentation to. They said that they had not selected Aviva to take products with and they have had problems with all of those products as:

- Its customer care is inadequate and antiquated, as it considered it was ok to send a letter and not provide follow-up when concerns are raised. They spent months trying to contact Aviva by telephone.
- After raising issues with Aviva, it had dragged its feet for six months and that was ongoing.
- As Aviva kept their money against their wishes and in a manner that was detrimental to them, it should pay them interest for the period it wasted and kept benefitting.

On 7 March 2024 Aviva wrote to Mr and Mrs D separately for each policy providing information on the policies and confirming what they needed to do to surrender them.

Shortly thereafter, Mr and Mrs D complained that they were still receiving arrears letters on Mrs D's PHI policy.

At the beginning of April 2024 Aviva sent Mr and Mrs D another maturity reminder for the endowment policy and surrender instructions for Mrs D's PHI policy.

Aviva paid out the endowment maturity value and the surrender value of Mrs D's PHI policy in April 2024. Interest was paid on the endowment maturity value, but Mr and Mrs D were not happy that they had not been provided with a proper statement to say how the interest was calculated. Mrs D was also unhappy that the amount she received from the surrender of her PHI was less than the surrender value that she'd been given in 2023.

Mr and Mrs D suggested that Mrs D's policy had been set up inappropriately by Aviva in order to 'hive off' the life and critical illness cover the endowment policy was meant to provide. As such, Aviva took nine months of premiums that it should not have after the maturity date of the endowment policy. They commented further on the administration of the policies and they also said they found it difficult to understand how the value of the PHI policy had dropped by 20% between the valuation in November 2023 and April 2024.

The Investigator considered what Mr and Mrs D had said and explained that while they had said to us they wanted to surrender the PHI policy and receive the endowment maturity value, we were not in a position to instruct that for them and they had also asked for more information before that happened. She also explained why the value of Mrs D's PHI policy had dropped. The Investigator said that the situation had come about because Mr and Mrs D had been confused about what products they had, which we couldn't hold Aviva responsible for. In addition, the Investigator explained that as the delay in paying the maturity value of the endowment policy was because it wasn't claimed by Mr and Mrs D, we would consider Aviva had acted fairly in paying interest on that value.

Mr and Mrs D remained unhappy with the Investigator's conclusions and it was decided that the complaint should be referred to an Ombudsman for review.

## **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.

Mr and Mrs D's complaint has evolved during the time it has been with us as more information has become available to them. I have set out the facts of what products were taken out, when and for what purpose above. I hope this will allay any lingering confusion or questions about the policies they took out. Essentially, Mr and Mrs D took out a joint mortgage endowment to repay and protect their mortgage. They also took PHI policy each, which were completely separate from the endowment policy.

In relation to the maturity of the endowment policy, I am satisfied that Aviva sent the relevant documentation and instructions to Mr and Mrs D's UK correspondence address at the time of the maturity. They didn't return the maturity claim form and relevant identification documents at that time and so I can't find Aviva was at fault for the maturity value not being paid out. Aviva paid interest on the maturity value when it was claimed and I would not have expected it to do more than this.

I note that Mr and Mrs D have questioned the fact that the maturity forms forwarded by this Service didn't include an address. I would confirm that this is because it was an electronic copy of what Mr and Mrs D had been sent in hard copy. The electronic copy didn't have the return address, but the hard copies would have, as they would have been printed on Aviva's letterheaded paper.

Mr and Mrs D have commented on the fact that the endowment policy matured with a value lower than its target. Their endowment policy was taken out in the late 1990s and quite simply the economic and regulatory situation was different by 2002 than what it was in 1997. That is nothing to do with Aviva; the downturn in investment markets affected investments across all life assurance companies and product types. In simple terms, Mr and Mrs D invested in an investment product which has not performed as well as hoped, as was the case with a very significant proportion of mortgage endowment policies taken around the same time. I would also comment that this was always a possibility, as there were no guarantees associated with the maturity value. The only guaranteed sums were those linked to the life and critical illness benefits.

While Mr D's PHI policy has briefly been mentioned, it didn't form part of the original or any subsequent complaint and so I won't comment on it further. However, Mrs D's PHI policy has formed part of the complaint throughout. As I have set out above, when Mrs D stopped paying the premium to the policy, it was not automatically cancelled. Rather the costs associated with maintaining the policy and its benefits would have been deducted from the policy value. Aviva wrote to Mrs D on 18 November 2023 to explain the policy had been made paid-up and what would happen to it – that the fund value would be used to maintain the policy going forward. I can't find that Aviva did anything wrong in maintaining the endowment policy in line with its terms and conditions.

I am aware that the reason Mrs D probably didn't instruct Aviva to cancel the PHI policy was due to the misunderstanding about the policies she and Mr D held – that there was a belief the premium being paid was actually for the already matured endowment. However, I have seen no evidence that Aviva is responsible for this misunderstanding, so I can't instruct it to refund the costs that were deducted from the fund value after the direct debit mandate was cancelled. In addition, even had that not been the case, the value of the PHI policy would have fluctuated in line with unit prices in the fund it was invested in.

Mr and Mrs D have also said that Mrs D's PHI policy should have been surrendered in November/December 2023 when they indicated to us that they wanted that to happen. However, they had questions about the amount they would receive from the policies, which took a little time for Aviva to provide and was not in a format that Mr and Mrs D were happy with. In addition, they didn't return the maturity form or provide the identification documents needed until March 2023. I am satisfied that Mr and Mrs D were aware of those requirements. The maturity and surrender were processed shortly after the necessary documentation was provided. It is not for our Service to instruct the closure or surrender of a policy.

Mr and Mrs D have complained about the difficulty they had contacting Aviva by telephone and that details of the policies were not available on its online portal. In relation to the second point, Aviva has confirmed that the computer system from the previous life assurance company, which issued the policies to Mr and Mrs D, is not compatible with the online portal, so it wasn't possible for access to be given via that medium. This is unfortunate, but I am satisfied that Aviva kept Mr and Mrs D informed about their policies by post. While I note they've said it takes a considerable amount of time for post to reach them, I can't find Aviva responsible for this problem. Until this Service made Aviva aware that Mr and Mrs D lived abroad, it had not been aware of that fact. In addition, Mr and Mrs D chose to have correspondence sent to a UK address, presumably for onward transmission, rather than providing Aviva with their address so that it could send post directly to them.

In relation to having difficulty contacting Aviva by telephone, Mr and Mrs D have said the number was often engaged. I would firstly comment that the time difference would have potentially caused difficulties, as the telephone lines at Aviva would not have opened until late in the afternoon in the time zone Mr and Mrs D reside in, which would have limited their ability to call. That isn't something that I can hold Aviva responsible for. Aviva is a UK Based company, and the vast majority of its customers will be UK based. So it is not unreasonable to only operate during standard UK operating hours. It is also the case that sometime a business' phone lines are busier than others. I haven't seen evidence of there being a wider issue that would allow me to uphold this aspect of the complaint.

### **My final decision**

My final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I am required to ask Mr and Mrs D to accept or reject my decision before 28 October 2024.

Derry Baxter  
**Ombudsman**