DRN-4884163

The complaint

Mr W and Ms W complain about the interest Scottish Widows Limited applied to the proceeds of a matured endowment policy which they didn't immediately claim.

What happened

Mr and Mrs W had an endowment policy which they'd taken out to cover part of their mortgage. The policy's term was 25 years and matured in 2015 – at that point it had a value of £18,851.71.

Although not the subject of the complaint, it is relevant background that prior to maturity, Mr and Mrs W raised a complaint with the firm responsible for selling the policy. The outcome of that complaint was that the policy had been mis-sold, but Mr and Mrs W hadn't suffered a financial loss.

Mr and Mrs W didn't refer that complaint to the service – and also did not claim the proceeds from their matured endowment policy.

In April 2023 Mr and Mrs W wrote to Scottish Widows to enquire about accessing the maturity payment. As Scottish Widows had previously attempted to contact them at the address it had on file for them, they were required to fill out some forms before the proceeds could be paid out. Eventually £20,251.04 was paid to them – this comprised the original maturity figure and some interest.

Mr W wrote to Scottish Widows to find out how the interest had been calculated, and Scottish Widows gave some inconsistent answers. Eventually it confirmed that it had applied the interest in line with the guidance received from this service. It paid them £200 for the distress and inconvenience caused by their inconsistent answers, but didn't otherwise think it had done anything wrong. Mr and Mrs W were unhappy with the level of interest Scottish Widows had applied to the proceeds and referred the complaint to this service.

One of our investigators looked into their complaint but didn't agree to uphold it. She considered that Mr and Mrs W clearly knew that their policy was maturing in 2015, because they raised a complaint about it. She also found that Scottish Widows had written to them in 2021 to remind them of their matured policy. She therefore considered that it wasn't at fault for the unclaimed funds and applied the interest that was in line with this service's guidelines in those circumstances.

Mr and Mrs W didn't agree with the investigator. They asked what the industry interest rate was for the account the proceeds of their plan was paid into and queried what efforts Scottish Widows had made to contact them between 2015 and 2022.

They said they felt that Scottish Widows had failed to act in their interest given that they could have withdrawn the funds and placed them into their own savings account which would've attracted compound interest unlike the interest Scottish Widows has paid on it. They queried whether Scottish Widows had kept the additional interest.

Mr and Mrs W also said that there had been no consistent communication from Scottish Widows during their complaint and didn't agree £200 was fair and reasonable compensation for that. They also said that they had tried to pursue their complaint with the seller of the policy again but had been told they couldn't as it was outside the 6 months they'd previously been given to refer their complaint.

As an agreement couldn't be reached, the case was passed to me to decide.

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.

I'm sorry to disappoint Mr and Mrs W, because I can see that they feel strongly that their complaint should be upheld and they are owed money by Scottish Widows. But I'm not persuaded it would be fair to ask Scottish Widows to pay any compensation. And I'm not persuaded it has incorrectly applied interest to the proceeds of the matured plan.

I should say firstly that I've seen insufficient evidence to persuade me that Mr and Mrs W weren't aware that their policy was maturing in 2015. I'm persuaded they raised their complaint with the seller of the policy at the time on the basis they could see the proceeds weren't going to be as much as they had originally planned for. So the starting point here is that Mr and Mrs W chose not claim this money at the time – it isn't clear to me why and Mr and Mrs W haven't explained this, other than to say that it was only once their mortgage had ended in 2022 that they decided to contact Scottish Widows to "drawdown" the proceeds of this policy.

In addition to the usual maturity information which Scottish Widows would've sent to Mr and Mrs W, and the information they already had (and which would've been covered again in pursuit of their mis-sale complaint, namely the term of the plan and the maturity date), I can see that Scottish Widows sent a further letter in 2021 reminding them that their plan had matured. This was sent to the address Scottish Widows had for them, the same one this service now has, and my understanding is that this was the correct address.

It's possible that Scottish Widows could've taken more steps to get in touch with Mr and Mrs W, but I'm not persuaded this would've made any difference, because as I've said, I'm satisfied Mr and Mrs W already knew that their policy had matured. I accept that what they didn't know was how the proceeds of the plan would be treated – i.e. whether they had continued to remain invested or had otherwise been paid into an interest-bearing savings account. But in my view, it wouldn't be fair and reasonable to hold Scottish Widows responsible for assumptions Mr and Mrs W made about the plan – when all they needed to do was get in touch with Scottish Widows in 2015, as they were invited to do, and enquire about what would happen if they didn't request the proceeds of the matured policy straight away.

I'm not persuaded it's unfair or unreasonable to have expected them to have proactively contacted Scottish Widows about the plan – especially in view of the importance it had for them.

This means that I think Scottish Widows has followed the correct process and applied the correct rate of interest to the amount. And this means that I don't consider Mr W's additional questions around the specific account the money was held in are relevant. If Mr W wanted that money held in an interest-bearing savings account, with compounding interest, all he had to do was claim the funds when they matured in 2015.

So I’m satisfied Scottish Widows isn’t at fault for the delayed payment of the proceeds of the policy. I’ve seen evidence that it then applied the level of interest this service has indicated is fair and reasonable in circumstances where a delay in payment of the proceeds isn’t it’s fault. I’m satisfied that it doesn’t need to pay anything more.

I acknowledge that its response to Mr W’s complaint could’ve been clearer and that it created some false expectations around how much interest it ought to have paid between 2015 and 2022. However, it ultimately gave the correct explanation and paid compensation of £200 which is in line with this service’s guidelines on awards of this type, given the impact on Mr and Mrs W.

My final decision

For all these reasons, I don’t uphold Mr and Mrs W’s complaint.

Under the rules of the Financial Ombudsman Service, I’m required to ask Mr W and Ms W to accept or reject my decision before 9 January 2025.

Alessandro Pulzone
Ombudsman