DRN-5014810

The complaint

Mrs R is unhappy with the surrender value of an endowment policy she took out with The Royal London Mutual Insurance Society Limited ('Royal London').

What happened

In 1998, Mrs R took out an endowment policy with Royal London. She's told us that, at the time, she was led to expect a surrender value in the region of £120,000. She paid a £50 monthly premium for 25 years. When Mrs R surrendered the policy in 2023, she received approximately £33,600.

As the surrender value was substantially lower than Mrs R expected, she complained to Royal London. They looked into her complaint but did not uphold it. Mrs R was still unhappy, and she referred her complaint to our service where it was considered by an investigator. They thought Royal London hadn't done anything wrong, but Mrs R disagreed so the case has been passed to me.

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'll start by saying that an investment performing below an investor's expectations isn't itself a reason for me to uphold a complaint. I need to be persuaded that the business has done something wrong, for example with the advice they provided. How an investment performs will always be affected by external factors, outside of a firm's control. Because of this, we generally find it isn't reasonable to uphold a complaint purely on the basis of poor performance.

Mrs R has complained that the policy was not suitable for her, as it returned much less than she thought it would. To determine whether the policy was unsuitable for Mrs R I have to consider her investment objectives, attitude to risk, capacity for loss, and personal circumstances. In order to do that, I've considered everything I've been provided with from both Mrs R and Royal London.

I've seen a copy of the fact find that was completed when Mrs R was advised to take out the endowment. In this, Mrs R recorded her attitude to risk as '1' which was the lowest level listed. The fund factsheets are not available so I cannot confirm the risk levels of the funds the policy was invested in. But there appears to be no dispute that the majority was invested in government and other bonds, and cash. Additionally, the policy had a guaranteed minimum maturity value of £14,477 before annual bonuses. Taking all this into account, I'm satisfied the policy was suitable for Mrs R's attitude to risk.

In relation to her investment objectives, the fact find outlines that Mrs R's 'main concern' was regular savings and a lump sum in 10 and 25 years. The endowment provided her with this. Her personal and financial circumstances as recorded on the fact find show that she had no debt or dependents, lived with her parents and had £7,000 in cash savings. Her monthly disposable income was listed as £950. Mrs R hasn't raised this as a complaint point, but for the avoidance of doubt, given her savings and disposable income, and the fact she was able to continue paying the monthly premium for the full 25 years, I think the policy was affordable for her.

Taking everything into account, I simply do not have enough to say that the advice provided to Mrs R in 1998 was unsuitable for her. As such, I cannot say she was mis-sold the policy.

Mrs R has mentioned that the fund she was invested in closed down two years after she invested, and that her policy was left to stagnate. She feels this has affected the surrender value. Royal London have confirmed that the endowment policy was withdrawn from the market due to reduced customer demand for this kind of product, but I've seen nothing to suggest the underlying funds the money was invested in were closed down. I'm satisfied they continued to be actively managed until Mrs R surrendered her policy.

Mrs R feels strongly that she was misled about the expected maturity value of her policy, and that she was quoted a much higher advertised return. She has provided us with a copy of a document from Royal London which sets out previous performance of the with profits fund, over a 25 year term. It lists £120,369 as the return, and I understand Mrs R has relied on this to indicate the kind of return she would receive on maturity.

Looking closely at the document, I can see that the source for the figures listed is *"Money Management Magazine, April 2000"*. On that basis, it's clear this wasn't an illustration provided to Mrs R before she took out the policy in 1998 and she therefore could not have relied on it when deciding whether to invest. Additionally, and importantly, the document also clearly states *"Past performance is no guarantee of future performance as this will depend on future profits. The value of investments can fall as well as rise and is not guaranteed."* While I understand Mrs R's disappointment that her investment didn't provide the returns she was expecting, these were neither guaranteed nor promised to her. Her endowment policy had a guaranteed minimum return, and she received well above this on maturity. On that basis, and including the findings made above, I cannot uphold Mrs R's complaint.

My final decision

I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs R to accept or reject my decision before 16 January 2025.

Artemis Pantelides
Ombudsman