

The complaint

Mr S complained about Aviva Life & Pensions UK Limited (Aviva). He said Aviva didn't pay the surrender value that it had confirmed to him he would receive on two whole of life policies he held with it. He said it should pay him compensation for the mistakes it has made here.

What happened

Mr S held two whole of life policies with Aviva. He requested to surrender both of them and received the values from Aviva in writing. He said these values were of a much higher amount, than was actually paid out to him.

Mr S said he took financial decisions based on what Aviva had initially confirmed with him. He said, by not paying the amounts it had confirmed with him, it left him in extreme financial and emotional distress. He said Aviva should pay compensation for the mistakes it has made. He thinks it should pay the amount it confirmed to him it would pay originally.

Aviva said in response that regrettably it sent information about the policies on 26 February 2024, that was not accurate. It said it did not initially take into consideration that the two policies had deductions due, because of what it called "non-forfeiture provision".

Aviva explained that this meant there were outstanding premiums and because of this it was advancing automatically the amount owed as a loan whilst the policies remained in force. Aviva explained that the amount it advanced included interest that was charged on this, and that this was made clear in its terms and conditions.

Aviva said it gave incorrect information during a phone call on 27 February 2024, and then on 8 March 2024 it surrendered Mr S's policies as requested by him. It then sent to him the lower corrected payments. It said only after it had done this, did Mr S realise that it had made deductions to the surrender values it had originally informed him about.

Aviva said Mr S called it on 11, 13 and 14 March 2024, to try and resolve matters. On the final occasion he discussed what had happened with one of its managers. Mr S was not happy and said he wanted the original amounts that Aviva had provided him with, paid. Aviva said it could not do this, for the reasons it had explained about why there were deductions. It said sorry for the mistake it had made and initially offered £120 compensation for this.

Mr S was not happy with Aviva's response and referred his complaint to our service. Whilst our service was looking into Mr S's concerns, Aviva made two further offers to Mr S. It first of all offered £300 which was rejected by Mr S, and then it revised that offer to £500. Mr S again rejected Aviva's offer.

Mr S explained that as Aviva had confirmed he was to receive over £10,500 from surrendering the two policies, that he would arrange to borrow money from his daughter to buy a new car. He said he did this on the proviso that he could return the money he borrowed to his daughter once he received the settlement from Aviva.

Mr S said his new car cost him around £8,000. He said when he received the much lower settlement from Aviva of around £3,900, he was unable to repay what he had borrowed from his daughter, and this caused him distress as well as financial embarrassment. He said Aviva should honour the amount it had confirmed initially with him and pay him the difference between this and what he has already received.

An investigator looked into Mr S's complaint. She said Aviva's error was giving the wrong information about the surrender value, but it had not made an error calculating the amount that it should pay Mr S. So, she didn't think it should do anything further here. She said its offer of £500 was fair and reasonable for the distress and inconvenience it has caused.

Mr S was not in agreement with the investigator's view. He asked for his complaint to be reviewed.

Because the parties are not in agreement, Mr S's complaint has been passed to me, an ombudsman, to look into.

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 have independently reviewed Mr S's complaint and have arrived at the same outcome as the investigator, for the same reasons. I will explain why.

To recap: Aviva initially said to Mr S on the phone and confirmed in writing that the two whole of life policies he held with it, had a surrender value of around £10,500. On the back of this information, Mr S requested that they be surrendered.

At a later date, on 8 March 2024, Mr S actually received significantly less than he was told he was due, this being around £3,900. Aviva said it made a mistake here and Mr S's policies were actually worth around £3,900 and not £10,500. It has given reasons why, which I have already mentioned and account for the difference in values between what it initially told Mr S and what in reality the policies were worth.

Mr S said he thinks Aviva should honour the initial surrender values that it said his policies were worth: this being around £10,500 and not around £3,900. But I don't think it would be fair for me to ask Aviva to do this as the policies were not actually worth that much.

Mr S has not at any stage had policies that were worth around £10,500. Aviva unfortunately gave him misinformation and that is what it has done wrong here. So, because the policies were not actually worth any more than the amount Aviva has paid to Mr S, I won't be asking it to pay anymore than that.

What is left for me to consider is the impact Aviva's mistakes have had on Mr S and whether its offer of £500 to him for this, is fair or not.

Mr S has told our service he had problems with his car around the time he was informed of the incorrect surrender value of his two policies in February 2024. He said, he discussed this all with his daughter, and agreed to borrow money from her for around £8000 to buy a new car. This was on the proviso that once the policies were surrendered, he would pay her back. He said when he received the much lower amount, this left him with a shortfall to repay with his daughter, for a sum he couldn't afford. He said this caused considerable distress and inconvenience.

I have thought about what Mr S has said carefully. I do empathise with him and can see that the loss of expectation caused by Aviva would have caused him some considerable distress and inconvenience, in particular with him having to explain to his daughter what had happened here. That said, I do think the decision he made to borrow money off the back of what he was initially told by Aviva, was something he decided to do and was his choice. He could have for example, waited to receive the money, before purchasing the vehicle.

Even so, I do acknowledge that what has happened here with the events that Mr S has described, have come about largely because of Aviva's mistakes. So, Aviva are responsible for causing distress and inconvenience and should pay Mr S compensation for this.

Aviva has offered £500 to Mr S for the mistakes it has made, and in the circumstances of his complaint, I think this offer is fair and reasonable. It is in line with the sort of payment I would have awarded to him for this.

Aviva's offer of £500 to settle the complaint, I think is fair in all the circumstances and so it should now go ahead and pay this to him, if it hasn't already done so.

My final decision

My final decision is that Aviva Life & Pensions UK Limited should Pay Mr S £500.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 21 November 2024.

Mark Richardson
Ombudsman