

The complaint

Mr W complains Scottish Friendly Assurance Society Limited ('Scottish Friendly') closed his investment bond without his knowledge and without explanation, and gave him insufficient redress.

What happened

In 2023 Mr W opened a Scottish Bond which was provided by Scottish Friendly. The bond was due to run for 10 years. In 2013 Mr W filled out form which was headed '*Scottish Bond Maturity Options*' and '*Act now*'. It said Option 1 was to cash in his policy and Option 2 was Scottish Bond Plus. Mr W signed the form on 18 August 2013, selecting Scottish Bond Plus and agreeing to a statement which said '*I wish to extend the above policy by applying for Scottish Bond Plus*'.

Scottish Friendly issued a letter dated 29 August 2013 saying '*Thank you for choosing to continue to invest with Scottish Friendly through your Scottish Bond Plus option*'. It enclosed a policy endorsement which said Mr W's premiums were altered to be payable up to and including 15 August 2023 and there would be an amount payable on that date. It enclosed a key features page which said the policy had been changed so the remaining term was 10 years and an illustration was provided of '*What might I get back after 10 years?*'

In July 2023 Scottish Friendly produced a letter to Mr W saying his policy was '*due to reach maturity*' on 15 September 2023. It said '*The value payable will be the proceeds from the sale of your unit holding ...*'. And '*In order that we may arrange for a cheque in respect of the proceeds to be issued to you shortly after the maturity date, we would be most grateful if you would complete the enclosed Claim Form and return it ...*'

Mr W said he didn't receive this letter. Scottish Friendly later said in correspondence with him that it had produced the letter in July 2023 but sent it on 6 September 2023.

On 15 September 2023 Scottish Friendly sent him a letter saying the following:

'Your Scottish Bond Plus has reached its annual anniversary and consequently we have increased your guaranteed minimum cash in value to your current plan value. Details of your new guaranteed minimum cash in value and your current Scottish Bond Plus Plan value are detailed below together with a note of the guaranteed minimum bonus that will be added to your plan if you continue for another year.'

It included a value for the guaranteed minimum cash value that would apply on 15 September 2024 if Mr W made all premiums. And it said there was also a potential cash bonus so '*when you decide to cash in your plan you may receive more than the minimum amounts shown above*'. And it said, '*If you wish to cash in your Scottish Bond Plus, please inform us ...*' The letter didn't mention a maturity date.

Mr W provided copies of letters from Scottish Friendly sent in previous years and they were essentially the same as the letter Mr W received in September 2023 but with different values.

Mr W took no action to claim against his bond at this stage. On 3 May 2024 he phoned Scottish Friendly to ask what the bond was worth. Scottish Friendly told him the policy had matured in September 2023. Mr W said this was the first he'd heard of that and he made a complaint.

On 7 May 2024 Mr W submitted a claim form for the policy to Scottish Friendly. It paid him the value the bond had reached on its maturity date in September 2023. Mr W thought he should be paid the value it had reached in May 2024 when he'd claimed.

Scottish Friendly didn't think it had done anything wrong. In summary it said the following:

- Mr W's policy had matured on 15 September 2023 so it hadn't been invested since then and the maturity value had been calculated as of that date.
- Scottish Friendly had issued maturity claims forms. Although Mr W said he didn't receive them Scottish Friendly wasn't responsible for what happened to post after it left the office of Scottish Friendly.
- Scottish Friendly appreciated Mr W's frustration over the fact its statement didn't suggest his policy had matured.

In correspondence with Mr W Scottish Friendly also said the July 2023 letter it sent Mr W didn't say the investment would cease but that was part of the terms of his contract.

Mr W wasn't satisfied with Scottish Friendly's response. So he referred his complaint to this service. He said Scottish Friendly hadn't explained why it had stopped his bond without his authority in September 2023. And he considered that date to be arbitrary.

One of our Investigators looked into Mr W's complaint. He didn't think Scottish Friendly had acted fairly. In summary he said the following:

- Irrespective of whether Mr W received the July 2023 letter, the September 2023 letter gave the impression that Mr W could choose to keep the bond for another year.
- If Scottish Friendly hadn't given Mr W that wrong impression then he would've known in September 2023 that the bond had matured without the option for it to continue.
- To put things right Scottish Friendly should pay interest on the maturity amount, using a maturity date of 15 September 2023, and paying interest until 7 May 2023 when Mr W made his claim on the bond. And it should pay Mr W £150 for distress and inconvenience.

Scottish Friendly didn't agree with the investigator's view. In summary it said the following:

- The bond Mr W opened in 2013 was a different bond from the one he'd opened in 2003. The contractual agreements said the bonds would run for 10 years.
- When Mr W opened the bond he received a schedule which said when the policy would end.
- Scottish Friendly issued the maturity letter in July 2023 so even if Mr W didn't receive it, Scottish Friendly had done its part to notify him of the upcoming maturity.
- Scottish Friendly hadn't collected any premiums from Mr W since August 2023. Mr W could've contacted Scottish Friendly before May 2024 to find out why.

- Scottish Friendly had conceded its September 2023 letter didn't mention the maturity date, but there was some onus on Mr W to be aware of what he'd signed up to.

Because no agreement could be reached, this complaint was passed to me to review afresh and make a 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 so, I'm upholding the complaint. I'll explain why.

The purpose of this decision is to set out my findings on what's fair and reasonable, and explain my reasons for reaching those findings, not to offer a point-by-point response to every submission made by the parties to the complaint. And so, while I've considered all the submissions by both parties, I've focussed here on the points I believe to be key to my decision on what's fair and reasonable in the circumstances.

I can't agree with Mr W that the maturity date of his bond was arbitrary. Documents he signed and was sent in 2013 showed he'd extended his original policy for a period of 10 years. And that determined the maturity date. And I agree with Scottish Friendly that there was some onus on Mr W to be aware of what he'd signed up to when he took out the bond.

It's difficult to say on balance whether Mr W received Scottish Friendly's July 2023 letter which would've reminded him his policy was due to mature on 15 September 2023. But even if he did, I'm persuaded that Scottish Friendly's letter of September 2023 changes things.

Irrespective of the fact Mr W's bond had been taken out for a period of 10 years and regardless of whether he received the July 2023 letter, the September 2023 letter gave Mr W a reasonable basis to think he had the option to continue his policy. In finding this I've also taken into account that Mr W had extended his original policy, albeit he signed an application form to do so and the second bond had a different title from the original bond.

I accept Mr W could've noticed he wasn't paying premiums after August 2023. But it's not unusual for a consumer not to keep track of that for a few months for a long-term investment. And in any case I also haven't seen that Scottish Friendly made clear to Mr W that his bond would be disinvested in September 2023, even if his premiums stopped. Based on what I know of products such as this, I accept it's likely that was specified in the contract Mr W originally agreed in 2003, but Scottish Friendly has been unable to provide a copy of the terms and conditions that applied at the relevant time. The policy variation correspondence provided to Mr W in 2013 didn't tell him that. And Scottish Friendly acknowledged that the July 2023 maturity letter didn't tell him that.

Overall, I understand Scottish Friendly's position on this and why it expected Mr W to understand how his policy worked. But I find that in the particular circumstances of this complaint its letter of September 2023 was wrong and misled him, and other information it had given him wasn't clear enough to prevent his misunderstanding. This frustrated and confused Mr W, and I think it caused him not to claim promptly against his policy when he otherwise would have done.

As I've said, I don't accept 15 September 2023 was an arbitrary date. I accept on balance it was the date Mr W's policy was contractually agreed to mature. Any award I make for financial loss will look to put Mr W in the position he would've been in had there been no

shortcoming by Scottish Friendly. What should've happened here is that Scottish Friendly shouldn't have misled Mr W into thinking his policy could continue beyond September 2023.

If Scottish Friendly had given Mr W clearer and not misleading information he would've known his policy had matured and that that meant his bond would be disinvested at that point. I'm satisfied he would then have claimed against the bond promptly. He did claim promptly in May 2024 after he found out the policy had already matured and his bond had been disinvested.

By not claiming in September 2023 Mr W lost the use of funds he would've received then had he claimed. So I agree with the recommendation from our investigator that Scottish Friendly should pay Mr W interest for the period he was without that money.

It's also fair and reasonable that Scottish Friendly should pay Mr W £150 for distress and inconvenience. Although Mr W appeared unconcerned about his policy with Scottish Friendly prior to his call in May 2024, once he found he'd misunderstood the situation he was clearly distressed.

Putting things right

To put things right I required Scottish Friendly Assurance Society Limited to do the following:

- (1) Pay 8% simple interest on the amount Mr W was paid out for his policy, for the period of 15 September 2023 to 7 May 2024.
- (2) Pay Mr W £150 for distress and inconvenience.

My final decision

For the reasons I've set out above, my final decision is that I uphold this complaint. Scottish Friendly Assurance Society Limited must take steps set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr W to accept or reject my decision before 12 May 2025.

Lucinda Puls
Ombudsman