DRN-5141444

The complaint

Mr O's complaint is about a mortgage endowment policy he had with Aviva Life & Pensions UK Limited. He is unhappy about the amount of time it took for Aviva to pay him the maturity value.

What happened

Mr O took out the endowment policy with Aviva in April 1999 in conjunction with one taken out by his wife. The policy provided life and critical illness cover of £120,000 to protect the mortgage and it was also designed to act as the repayment vehicle for half of the mortgage balance at the end of the 25-year term.

The policy matured on 15 April 2024.

Following the policy maturing, Mr O contacted Aviva and was asked to provide documentation so that Aviva could be certain it was paying the money to the right person. Mr O provided the documents, which were certified by a local accountant. Aviva didn't accept them and asked that the certification be completed by someone who was employed in a specific range of professions. Mr O provided the documentation accordingly certified and he was told they were acceptable, so the payment would be made. However, there were administrative issues with Aviva and by 21 May 2024 the money had still not been paid and Mr O complained about the delay.

Aviva responded to Mr O's complaint in May 2024. It said it would pursue the matter of the payment being made and it paid Mr O £50 compensation for the poor service it had provided.

Following further delays in the maturity proceeds being paid out, Mr O referred the complaint to this Service. When he did, Aviva informed us that it wanted to pay Mr O a further £250 compensation and that it would pay Mr O interest at 8% simple from the maturity date to the date the maturity value was paid out.

This offer was forwarded to Mr O before the Investigator completed an investigation, in the event that he wanted to accept it. Mr O didn't accept the offer, as he said it did not recognise the stress caused by Aviva in its handling of the matter, or the inconvenience it had caused. He highlighted that it had been more than four months since the maturity date and yet he had still not been paid and he had not been told why that was.

Aviva was told that Mr O hadn't accepted its offer and it was asked to provide its file of papers relating to the complaint. It didn't do so. We chased Aviva and explained to it that our rules allowed us to decide a complaint based on the information we had in the event that it did not comply with our request for information. Aviva did not respond.

The maturity value was paid to Mr O on 9 September 2024, along with slightly over £1,000 of interest.

In the absence of any information from Aviva about the complaint, one of our Investigators considered it and recommended that it be upheld. He asked Aviva to:

- confirm the date the proceeds should have been paid out, with an explanation of why that date had been selected.
- confirm that the late payment interest had been paid at a rate of 8% simple for the appropriate period.
- pay Mr O a further £250 compensation to make a total payment of £300.

Aviva didn't respond to the Investigator's opinion and so it was decided that the complaint would be passed to an Ombudsman for consideration.

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.

Aviva has acknowledged that it provided poor service when Mr O tried to claim the maturity value of his policy. So what I need to do in this case, is to decide if Aviva needs to do anything to put the situation right. Unfortunately, Aviva has not provided its file relating to the events being complained about and so I can only assess this case based on the information Mr O has given and the offer Aviva made when the complaint came to us.

Following the policy reaching its maturity date, Mr O was asked by Aviva to provide documentation in order to confirm his identity and if originals were not being sent, for them to be certified. This is entirely normal practice when a claim is made. Aviva rejected the initial documentation it was provided with because, due to where Mr O lives, it required the certification to be done by specific professions. While I note that Mr O is unhappy about this, due to the explanation of why this was. However, again it is not unreasonable, given that Aviva has a responsibility to ensure that it is paying the money to the right person.

The Investigator concluded that Aviva was right to have paid interest on the maturity value from the date it should have been paid. I agree that is the case. He asked that Aviva confirm the dates for its calculation and the interest rate used. As Aviva has not provided this information, I have considered these issues.

Given that Aviva knew where Mr O lived, it should have ensured that he was told about the certification when he initially tried to claim the funds from the policy. Having dealt with similar cases against Aviva, it does not provide this explanation in its initial request for documentation. Given Mr O arranged for appropriate certification to be provided once he knew about the requirement, I think he would have done so initially had he known. So reasonably, Aviva should be concluding that the date it received the first set of certified documentation, which it rejected, is the date it would have received the correctly certified documents, had its communication been better. That is, therefore, the date Aviva should have started the process of releasing the funds to Mr O. Most life assurance companies will have service levels for such processes. On average, during periods where there is not high demand for services, which I think the spring of 2024 would be considered to be, surrenders and maturities will generally be paid within 5 working days of the date all of the necessary documentation being received and I consider that is the timescale Aviva should reasonably use in this case.

Mr O has highlighted that the money from the policy was needed to partially repay his mortgage. He has also told us that he had sufficient resources that he has not been placed in a difficult position due to the delay in Aviva paying out the money from the policy, indicating that he was able to settle the part of the mortgage this policy would have paid. As such, I am satisfied that the late payment interest should be paid at a rate of 8% simple to compensate him for the loss of use of the money. Aviva offered this interest rate when it made its offer after the complaint was referred to us. It should ensure that the correct interest rate was used in its calculation.

Mr O has very clearly, and understandably, found the process of trying to claim the maturity value from his policy frustrating and the need to constantly chase Aviva inconvenient. I have noted Mr O's comments that the £50 Aviva paid plus the additional £250 offered was not sufficient because of the time and effort he has had to put into the matter. However, I am satisfied that it is in line with the type of award we would make in such situations.

Putting things right

Aviva should:

- ensure that it has paid interest on the maturity value of Mr O's policy at 8% simple per annum, from the date it reasonably should have been paid (as detailed above) to 9 September 2024. If the amount already paid is less than the sum calculated in this way, Aviva should pay Mr O the difference along with 8% simple interest from 9 September 2024 to the date of settlement; and
- pay a further £250 compensation.

My final decision

My final decision is that I uphold this complaint. In full and final settlement of the complaint Aviva Life & Pensions UK Limited should settle the complaint in line with 'putting things right' above.

Under the rules of the Financial Ombudsman Service, I am required to ask Mr O to accept or reject my decision before 8 January 2025.

Derry Baxter
Ombudsman