

The complaint

T and Mr D (“the complainants”) complain that Aviva Life & Pensions UK Limited delayed payment of the surrender value of a whole life with profits policy, incurring a loss. They seek payment of the difference between the value received and the value given when the surrender was first requested.

What happened

The policy had been in operation since 2000. The complainants enquired about it in October 2023 and received details from Aviva, including an indicative surrender value of just under £144,000. The information highlighted that values given weren’t guaranteed and could go down as well as up.

Surrender forms were provided by the complainants in November 2023 and received by Aviva on 8 December 2023. The documentation contained a trust registration form that Aviva didn’t consider to be acceptable. Aviva called the complainants to explain the need for the trust to be registered with HMRC and the complainants explained that as the policy had been issued outside the UK the registration wasn’t necessary. Aviva agreed to refer the matter to its technical team for a definitive answer.

Aviva followed this up with the complainants on 9 January 2024 and agreement was made that the surrender value would be calculated as of that date. Payment of just over £136,000, plus interest was made on 30 January 2024.

The lower surrender figure was queried with Aviva and a complaint made. Aviva was satisfied the correct surrender value had been paid. But it accepted that the payment of the monies had made outside its standard servicing timescales and also that some incorrect information had been provided during correspondence between the parties. For these issues it offered compensation of £350.

This wasn’t accepted by the complainants. They questioned the drop in surrender value, saying that they may not have proceeded with the surrender if they’d known what the payout would actually be. They also questioned why they weren’t alerted to the fall in value.

Aviva maintained that it had ultimately paid the correct surrender value and stressed that it had been made clear that any values provided prior to surrender weren’t guaranteed. It also pointed out that it had offered reinstatement of the policy on 8 February 2024 following a query from the complainants.

The complaint was referred to this service. Our investigator felt that Aviva had generally acted correctly in respect of information provided about the value of the policy. But he considered that there’d been an avoidable delay in the process when, following the call of 15 December 2023 and the discussion regarding trust registration, it hadn’t reverted to the complainants until 9 January 2024.

The investigator felt that, while noting the intervening holiday season, this was unreasonably long, and that Aviva could’ve acted more promptly. He said it would’ve been reasonable for

Aviva to have got back in contact with the complainants by 29 December 2023. So, that date should've been used to calculate the surrender value rather than 9 January 2024.

He proposed that if the policy's value as of the earlier date would've been higher than the amount actually paid, the difference should also be paid to the complainants, plus interest. He thought the £350 offered for the distress and inconvenience was reasonable.

Aviva accepted the investigator's view, but the complainants didn't. They reiterated their concerns with the fall in value and questioned why Aviva's staff had repeatedly failed to give updated values for the policy during telephone conversations while the process was ongoing.

As no agreement could be reached the matter was referred to me to review.

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've come to the same conclusions as the investigator and for broadly the same reasons.

In respect of the surrender process itself I'm satisfied Aviva acted generally correctly. It provided information as requested and an indicative surrender value for the policy, stressing that no values were guaranteed, so they could go up or down. And it processed the surrender once it was satisfied it had all the required information.

I do agree however that the process could've been completed more quickly. Although the correspondence was taking place during the holiday season, it was almost a month before Aviva reverted to the complainants. I think this was unnecessarily long and I'm satisfied the date suggested by the investigator, 29 December 2023, represents a reasonable estimation of when it should have been possible to determine a final surrender value.

I appreciate the complainant's concern over the fall in value during the process. But as I say, it was highlighted that any value provided was not guaranteed and could go up or down. I've not seen anything that leads me to conclude the value was incorrectly calculated and Aviva has provided information regarding the historical fluctuation in final bonus rates.

The complainants have also questioned the failure by Aviva to provide updated values during phone calls. But I'm satisfied that calculation of values is a manual process that can't be completed on an ad-hoc basis during phone calls. Hence the original indicative value of October 2023 being provided in writing.

I also don't think there was any requirement for Aviva to alert the complainants to the change in value. Aviva has said that it will, on a non-contractual basis, endeavour to alert to a fall in value of more than 9%. But it hadn't guaranteed to do so, and in any event that doesn't appear to have been the case here. Further the complainants were offered the opportunity to reinstate the policy once aware of the actual value but chose not to do so.

Putting things right

Aviva should calculate the difference in the policy's value between 9 January 2024, the date eventually used to calculate the amount paid out, and the value it would've had as of 29 December 2023. If this shows a positive amount, that should be paid to the complainants, plus interest at 8% simple from 29 December 2023 to date of settlement.

Aviva should also pay £350 for the distress and inconvenience caused by the matter if it's not done so already.

My final decision

For the reasons given, my final decision is that I uphold the complaint and direct Aviva Life & Pensions UK Limited to make payment to T and Mr B as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask T and Mr D to accept or reject my decision before 18 April 2025.

James Harris
Ombudsman