DRN-5249737

The complaint

Mrs J's complaint is about a Flexible Mortgage Individual Savings Account (ISA) taken out in 1999, which was linked to another in her husband's name (Mr J), and joint protection benefits. Mrs J is unhappy with the value of the ISA at the end of the term, and believes the value is wrong because more of the premium was taken to pay for protection benefits than should have been. In settlement of the complaint, Mrs J wants to be compensated for the lost value this has caused.

Mrs J is represented in her complaint by Mr J, but for ease, I will refer to all comments as being hers.

What happened

Toward the end of 1998 Mr and Mrs J applied for a joint Flexible Mortgage Plan to protect and act as the repayment vehicle for an increase to their mortgage. This product provided joint life and critical illness cover equal to the amount of their mortgage. Waiver of premium benefit was also attached to the arrangement, which meant that if either Mr or Mrs J were unable work due to long term illness, the monthly premium would be paid for them.

In addition, the application involved two Personal Equity Plans (PEPs) – one in each of their names, as PEPs could not be taken in joint names. As PEPs were replaced by ISAs in April 1999, before the arrangements started, ISAs were set up for Mr and Mrs J. The arrangement had a term of 25 years and a total monthly premium of £310.44. The ISAs were invested equally in the Worldwide Unit Trust and UK Index Unit Trust.

In 2020 the product was transferred from Legal & General to ReAssure. Both businesses provided information about the plan on a regular basis. Legal & General on the overall plan to Mr and Mrs J jointly and ReAssure individually about their half of the plan.

In February 2024 ReAssure sent Mrs J a letter telling her that the term of the plan was approaching its end. ReAssure explained that she could choose to take the investment value of the ISA or she could choose to continue with the ISA until she needed its value. A payment release form was enclosed in the event Mrs J wanted to cash the ISA in. An equivalent letter was sent to Mr J.

The policy matured in April 2024 for just under £46,000, which when combined with Mr J's ISA value, equated just over 70% of the target value.

Following receipt of the letters, Mr J began asking questions of ReAssure on his and Mrs J's behalf, about the nature of the ISA product. ReAssure provided several responses in May and June 2024. Subsequently complains were raised about both ISAs saying Mr and Mrs J believed that ReAssure had administered the plan as a whole incorrectly and so the amounts paid out had been incorrect.

ReAssure responded to the complaint on 5 July 2024. ReAssure confirmed that there were no increases to the charges when the policy was transferred to it and the death benefit had

remained the same as it was when the policy was taken out. It also confirmed that the cost of life cover increased with age.

Mrs J was not satisfied with the response she received. As such, she referred the complaint to this Service. One of our Investigators considered the complaint, but she did not recommend that it be upheld. Mrs J did not accept the Investigator's conclusions.

As agreement couldn't be reached, it was decided that the complaint should be passed to an Ombudsman for consideration.

Mrs J raised concern that ReAssure was unable to provide a copy of the original policy documents. She also highlighted that no explanation was given for why the cost of the protection benefits increased considerably in 2010.

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.

It has been highlighted that ReAssure doesn't have the original policy document. I would explain that a financial business is required to keep records relating to a product for a minimum of six years after the product has ended. However, there is no prescribed format for the retention of those records. In this case, ReAssure has electronic records relating to Mr and Mrs J's plan and their individual ISAs. The fact that it doesn't have the original policy documents does not mean that ReAssure has done anything wrong. Indeed, Legal & General would only have had copies of those documents, as the originals would have been sent to Mr and Mrs J when the plan started in 1999. The lack of the original documents does not affect our ability to consider the complaint.

I have considered what Mrs J has said about the ISA value and the deductions made from the monthly premium for protection benefits. Having done so, I am not upholding this complaint.

During the term of the plan the premiums Mr and Mrs J were paying was split between them and went to pay for the protection benefits they had asked for under the plan and the remainder was invested. The unit cost for the protection benefits would be calculated based on actuarial tables that effectively determine the likelihood of a claim. The unit charge for the benefit would then be applied to the amount of benefit that needed to be paid for – the difference between the amount the policy would pay out for a claim and the value of the policy.

At the time the plan was set up, it was assumed the cost of the benefits would decrease, as the ISA value grew, even taking into account that Mrs J would be getting older throughout the term and the unit costs would increase. Unfortunately, when there is poor investment performance, especially in the early years of a policy, the benefit costs will be higher than anticipated and can have a significant impact on the overall growth of the plan.

The industry was aware around 2000 that investment returns were falling far short of what had been anticipated when plans like Mr and Mrs J's had been sold. Policy reviews were built into Mr and Mrs J's plan to establish if it was on track to achieve its target value at the end of the term. The first of these was due after ten years and periodically thereafter. I haven't seen the results of the earlier reviews as they would have been done before ReAssure was ministering the plan. However, ReAssure completed such reviews every year it administered the plan and told Mrs J that her ISA wouldn't reach its target value each time.

It is unfortunate that Mrs J's ISA didn't reach the value it was hoped for at the time it was sold. However, I note that the illustration Mr and Mrs J were given at the time of the sale showed that this was a possibility. Indeed, at the lower growth rate used on the illustration the combined value of the two ISAs was significantly lower than the amount that the ISAs produced.

In relation to the performance of the unit trusts the plan invested into, I would explain that a very large number of decisions over a 25-year period relating to investments, costs and charges have been made by the investment managers at ReAssure and Legal & General. Those decisions were made in a regulated environment with layers of governance, independent scrutiny (such as by actuaries and the regulator) and oversight. Some of the factors influencing returns were outside those businesses' control. However, even if I were to try and "drill down" to individual decisions it is very unlikely that I could point to an individual decision or set of decisions which were, without using hindsight, so manifestly bad or wrong that redress should be paid. I am afraid the simple fact here is that Mrs J paid into an investment product which performed badly (or not as well as hoped). I have seen no evidence that ReAssure incorrectly calculated the amount Mrs J was entitled to at the end of the term. While I sympathise with the situation she and Mr J found themselves in, I can't ask ReAssure to pay her anything further.

My final decision

My final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I am required to ask Mrs J to accept or reject my decision before 22 August 2025.

Derry Baxter
Ombudsman