

The complaint

Mr M complains that the final bonus on his with-profits life ISA decreased, despite him investing more money, and that Liverpool Victoria Financial Services Limited ("LVFS") didn't clearly explain the reasons why. He says there was a market value reduction ("MVR"), but this wasn't shown on his statements.

What happened

I set out the background to this complaint in my provisional decision and won't repeat everything again here. In summary, Mr M has a stocks and shares ISA with LVFS and is invested in its with-profits life fund. He asked for a breakdown of the final bonus figures shown on his annual statements. It took some time for LVFS to supply the information he'd asked for and, when it did, Mr M was concerned that a market value reduction ("MVR") had been applied, but not disclosed in his annual statement.

Our investigator didn't recommend that the complaint should be upheld. He couldn't conclude that LVFS had acted incorrectly and thought it had provided figures in support of its explanations. He didn't think the MVR had been hidden, but that it had been reduced to zero by the addition of the mutual and exit bonuses.

Mr M didn't agree. He said that the MVR should be shown on his statement. And he said the MVR shouldn't be deducted from the death benefit value as there is a guarantee on the policy that the value will not be reduced by an MVR when paid out on a death claim. He also provided a statement from another provider which he said showed how an MVR should be disclosed.

After the complaint had been referred to me, LVFS told us it had provided Mr M and this service with incorrect breakdown figures and explanation for the final bonus. It said it had previously given Mr M the wrong mutual bonus and fair value figures. It said there was in fact no negative value and no MVR.

It provided the amended figures and explanation which we passed onto Mr M. He said, in summary, that:

- LVFS has used creative accounting to hide the MVR.
- Mr M asked for a breakdown of the final bonus for 2024 and LVFS again told him there had been an MVR.
- The figures LVFS has provided make no sense.

My provisional decision

I explained why I thought the way in which LVFS manages investments, and decides to pay a bonus, were a matter for LVFS's own commercial judgement. I said:

Firstly, whilst there is certain information which LVFS must disclose in its annual statements, it's for LVFS to decide how it wants to present the information. So, whilst I appreciate Mr M prefers the format of the statement he's received from another

provider, I'm satisfied LVFS's annual statements are reasonably clear and provide Mr M with the required information about his investment.

Secondly, I appreciate Mr M was disappointed by the fall in value of the final bonus for 2023. But the final bonus shown on the statements is not guaranteed and can go up or down. It shows how much would have been added to the value of the plan, had Mr M chosen to cash in his ISA as at the statement date. The way in which LVFS manages investments and decides to pay a bonus is a matter for LVFS's own commercial judgement. We would not usually seek to interfere with LVFS's decision unless there has been some maladministration. Neither would we check any calculations or valuations. Whilst LVFS may have provided Mr M with incorrect figures (which I will cover in more detail below), I can't conclude that the bonus Mr M received was wrong.

The Financial Conduct Authority ("FCA") is the industry regulator and it, rather than us, supervises the management of funds. Mr M is free to contact the FCA if he has concerns about the way LVFS is managing its funds and applying the bonus. But the FCA doesn't usually communicate with individuals directly so it is unlikely to share with Mr M any action that it may decide to take.

I went onto explain that I thought the delay in providing Mr M with the correct information he'd asked for had caused him distress and inconvenience for which I thought he should be compensated. I said:

The final bonus is increased by mutual and exit bonuses and Mr M asked LVFS for a breakdown of the bonus figures for September 2022 and 2023. LVFS says it doesn't usually provide these breakdown figures, that it isn't straightforward, and that it needed to obtain the information from its technical and actuarial teams. This, it says, explains why it didn't provide accurate figures until very recently. I think that, having agreed to provide the breakdown, it's reasonable that it should have made sure it provided Mr M with accurate information in a timely manner.

Mr M first contacted LVFS requesting the figures on 11 October 2023. LVFS didn't provide what he'd asked for until 26 January 2024 and Mr M had to contact LVFS several times and raise a complaint. But the information it provided was incorrect. It was only after we asked LVFS (earlier this month) about why the MVR hadn't been disclosed that it realised it had given Mr M wrong information. No MVR had been applied and the figures were wrong.

It shouldn't have taken LVFS such a long time for it to realise that it hadn't provided Mr M with accurate figures, or an accurate explanation. It should have realised much sooner than it did that it was wrong to refer to an MVR when it knew an MVR hadn't been applied.

Mr M has been caused inconvenience – because of the need to contact LVFS several times; And distress - because he was told an MVR had been applied. This worried him because this hadn't been disclosed in his statements and he understood an MVR would not be applied on a death claim. In the circumstances I think it's fair and reasonable that LVFS pay Mr M £200 for the distress and inconvenience he's been caused.

I also explain that I was satisfied an MVR hadn't been applied:

The product's key features document says, "We will not apply a market reduction on a death claim". LVFS has now confirmed there was no MVR. It has told us that it

wouldn't apply an MVR on a death claim. I'm satisfied that the death claim value shown on Mr M's statements was correctly calculated and that, in line with the product's key features, an MVR wasn't applied to the death claim value.

And I invited LVFS to respond to the provisional decision if it wanted to explain why, when it responded to Mr M's more recent request for a breakdown of the 2024 bonus figures, it still referred to an MVR.

Responses to my provisional decision

Mr M said that £200 wasn't enough to compensate him for the hours he'd spent trying to get the correct information from LVFS. And he didn't want a final decision issued until the 2024 figures had been clarified.

LVFS said it agreed to pay Mr M £200. It apologised that it had sent Mr M incorrect figures for 2024, and that the same mistake had been made by incorrectly referring to an MVR. It provided us with the correct figures which we passed onto Mr M.

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.

The breakdown figures for 2024 are the subject of a separate complaint. But I'm satisfied that the correct figures have now been provided by LVFS.

It took a long time for LVFS to provide the correct breakdown figures for 2022 and 2023. And this has been frustrating and time consuming for Mr M. I've reconsidered this carefully, but I'm not persuaded to change my earlier conclusion – I think £200 is fair and reasonable compensation in the circumstances.

My final decision

My final decision is that Liverpool Victoria Financial Services Limited should pay Mr M £200 for the distress and inconvenience he's been caused.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 15 April 2025.

Elizabeth Dawes
Ombudsman