

## **The complaint**

Mr W's complaint is about a mortgage endowment policy he held with Scottish Widows Limited. He is unhappy about the amount of time it took for Scottish Widows to process the policy surrender.

## **What happened**

Mr W took out his policy in 1988. On 11 January 2024 Mr W called Scottish Widows to enquire about the procedure to surrender it. He was told that it needed him to provide a signed, written instruction, details of where the surrender value was to be paid and identification. Mr W was told that it could take up to ten days for the surrender to be processed.

On 17 January 2024 Mr W emailed Scottish Widows. He said in the email that he wanted to surrender the policy for £255,134.60, which was the value of the policy showing on Scottish Widows' platform for 16 January 2024. He provided his bank details and scans of two forms of identification. The request was not signed. Scottish Widows did not start the surrender process as its requirements had not been met. Instead, it wrote to Mr W and asked him to complete and sign a surrender form. It confirmed the surrender value of the policy, which was not guaranteed, was £253,487.57.

On 19 January 2024 Mr W called Scottish Widows again to get an update on the surrender. He was told that because he had not signed the surrender request, Scottish Widows had sent him a surrender form to complete. It also appears that Mr W was told the scanned identification documents were not sufficient for the process either, but Scottish Widows notes don't provide details of that part of the conversation. Mr W was not happy that he had not been called or emailed immediately, but he was instead written to. He also said that he had not had the process properly explained and he felt that Scottish Widows' service had been unprofessional. A complaint was set up.

Later that day Mr W emailed Scottish Widows. His email confirmed that it attached photographs of him holding his identification documents and a signed surrender instruction. Mr W reiterated that he had not had these requirements explained to him previously. In addition, he said that he had not received an email as promised that set out Scottish Widows' requirements for surrendering the policy. He asked to receive an acknowledgement by email or telephone to remove any possibility of the surrender being delayed. The images that were attached were 'not legible' when they were later reviewed.

On 22 January 2024 Mr W called Scottish Widows to chase the surrender, as he wanted it completed as soon as possible. It was confirmed that his email had been received, and it should have been reviewed by the end of the day. It appears that the problem with viewing the photographs was mentioned, as Mr W sent them again that day.

Later that day, Scottish Widows wrote to Mr W to ask him whether he wanted to cash in the policy or to withdraw the payment on the maturity date.

Scottish Widows responded to the complaint in a letter of 23 January 2024. It didn't uphold the complaint about the explanation of the surrender process. It highlighted that Mr W had not followed the initial instruction he was given. Scottish Widows also confirmed that its preferred method of communication was post and it would use that method unless specifically asked for a different one. However, it concluded that it could have "gone the extra mile" and called him following his initial email. As such, it paid Mr W £50 compensation for any inconvenience he experienced.

On 24 January 2024 Mr W called Scottish Widows again. He was told that it was unable to view the identification documents he'd provided on 19 and 22 January 2024. Mr W attended a branch of a bank in the same financial group as Scottish Widows that day to have his identification documents certified.

Mr W was also told that he needed to complete the form he had been sent on 18 January 2024. He complained that whenever he called, he was told Scottish Widows needed something more and he asked why, given it could communicate by email and telephone, Scottish Widows would not use them to respond.

Later that day Mr W emailed his signed instruction to surrender the policy and the certified identification documents to Scottish Widows. He also confirmed that he did not want to wait to encash the policy until the maturity date. This email was acknowledged, and the then current cash-in value was provided - £253,746.94 – but it was confirmed that it was not guaranteed.

Mr W called on 26 January 2024. He again complained he had received conflicting information about surrendering his policy as Scottish Widows initially said the surrender form needed to be completed and returned. However, that mistake was corrected, and Mr W was told it had everything it needed to process the surrender.

On 26 January 2024 Scottish Widows wrote to Mr W to confirm that the policy had been surrendered as of 24 January 2024 and £253,757.51 had been transferred into his bank account.

The monthly premium for January 2024 was collected a few days later, as the direct debit system requires a premium to be "called for" in advance, and it was too late for that process to be cancelled at the point Scottish Widows received everything it needed to start the surrender process. The premium was subsequently refunded.

On 29 January 2024 Mr W raised some additional complaint points:

- He was incorrectly told on 26 January 2024 that he needed to complete and return the surrender form he had previously been sent before the policy could be surrendered.
- There were discrepancies in the values he had been given, and the value he received was less than the value on the day he was informed the policy had been surrendered.
- He was unhappy that Scottish Widows used second class post to communicate.
- His email of 22 January 2024 asked for a response by email or telephone, but neither method was used.

On 31 January 2024 Scottish Widows wrote to Mr W again. It upheld the complaint and apologised for the poor service Mr W had received in relation to the first and last complaint points above. Scottish Widows paid him £150 compensation. However, it did not uphold the complaint about its postal communications and said this had been a business decision. It was also confirmed that the surrender value of a policy was always calculated using the unit price on the date the surrender instruction was received.

Mr W was not satisfied with the responses he received and asked us to consider his complaint. Mr W said that in his opinion Scottish Widows operates an outdated/antiquated procedure which is not fit for purpose. He considers that it is designed to delay the surrender of policies to enable Scottish Widows to choose the date it wants to close the transaction to maximise the profit and its use of funds.

Scottish Widows provided us with a copy of its file relating to the surrender. It also explained that Mr W had paid his monthly premium after the due date – this meant that it credited the payment to the policy before it was paid. As the January 2024 premium was due on 5 January 2024, but the policy was surrendered before the premium was paid, the effect of that credit was removed from the surrender value.

One of our Investigators considered the complaint, but he didn't recommend that it be upheld.

Mr W didn't accept the Investigator's conclusions. He reiterated that when he had looked at the banking platform on 26 January 2024 the policy was still showing as being in force with a value that was higher than the amount he received. He considered that he should have received the value of the policy at the close of business on 25 January 2024 given that the policy was closed down the following day. Mr W also expressed the opinion that when he spoke to Scottish Widows on 26 January 2024 the surrender process had not already been initiated and was forced through by one of the people he spoke to.

The Investigator considered what Mr W had said, but he remained satisfied that the surrender had been processed on the right date and Mr W had received the surrender value he was entitled to.

As agreement could not be reached, the complaint has been passed to me to consider.

### **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.

As the Investigator explained, it is not our role to decide what processes and procedures a life assurance company has in place. However, I would confirm that all life assurance companies will have standard procedures for activities like claiming the value of an investment, be that at maturity or earlier surrender. It is normal for identification to need to be provided and for the identification to be verified in some way – such as a policyholder needing to send in original documents or certified copies. This type of procedure is due to the life company having an obligation to protect its policyholders and so ensure that the money is being claimed by someone who has the right to do so.

In addition, while some life assurance companies accept surrender instructions by telephone, many do not and will send out forms to be completed and returned, especially when the value being claimed is a significant sum. Even where it is clear that the policyholder wants to claim either a surrender or maturity value, until the life assurance company has received all its requirements it will not initiate the surrender process. There is nothing wrong with this. Nor is there anything wrong with a life assurance company surrendering a policy as at the date it received the full valid instruction from the consumer. It ensures consistency, as the time for the administration process can vary at times, and surrendering as at the date of receipt of a completed instruction is quite standard practice within the industry. Beyond that, businesses will also have service standards for how long the process will then take. I have seen none across the industry that are less than five working days, and these standards are in place for periods of normal demand. During

periods of high demand those service standards may not be met, and there is nothing necessarily wrong with that happening in such circumstances.

Furthermore, very few financial businesses will communicate with their customers about confidential matters by email as it is not generally considered to be a secure method of communication. So it is not unusual for a financial business to have letters as its standard method of communication. I know that Mr W doesn't like that fact, but I can't criticise Scottish Widows for that decision or tell it that in general it is wrong. That said, Scottish Widows has confirmed that if a customer asks for communication to be in a different format, it will try to accommodate that request. As such, it has accepted that it failed to comply with Mr W's request contained in his email of 19 January 2024, for email or telephone communication. It has also confirmed that it now thinks it could have called him following receipt of his email of 18 January 2024.

While I note that the issue with Scottish Widows being able to review the images Mr W had sent in on 2 January 2024 may have been a scanning problem at its end, it may have been a problem with the images. I say this as the information was provided as electronic attachments and so it seems unlikely they would have needed to be scanned by Scottish Widows.

Scottish Widows has also acknowledged that it gave Mr W incorrect information about having to complete the surrender form on 24 and 26 January 2024. This was unfortunate, but I don't think that caused any delay in the surrender process. I say this as, despite Mr W having been given that incorrect information on 24 January 2024, when he emailed Scottish Widows later that day, he followed the original instructions he received on 11 January 2024 and sent in a signed, written instruction. This then resulted in the surrender process being started.

Scottish Widows has confirmed that it provided Mr W with poor service during the surrender process, and it is right that he should receive some compensation for the inconvenience this caused him. I have considered the issue carefully, and I am satisfied that the total of £200 Scottish Widows has paid him is appropriate in the circumstances.

I now turn to the issue of the surrender value Mr W should have received. I would firstly reiterate that the value that had been showing on the banking platform Mr W was looking at included the January 2024 premium, which he had not at those times, or at the point of surrender, paid as he chose to make his payments later in the month than they were due. So the surrender value he received would always have been slightly different from the live value detailed on the platform. It was not inappropriate for Scottish Widows to pay Mr W a surrender value based on the premiums he had actually paid.

In relation to the date at which the surrender should have been processed, as I have explained above, Scottish Widows sets the date for surrender as the date it receives all of the information it needs. In Mr W's case, that was 24 January 2024, and the surrender value was calculated using the unit value set for the fund at the end of that day. I am satisfied that Mr W received a surrender value calculated using the correct date and also factored in an appropriate correction to the unit holding due to the unpaid premium.

The surrender then took until 26 January 2024 to go through Scottish Widows' administrative process, which is within its service standards and not an unreasonable amount of time generally. Until that process had completed, Mr W's policy would have still shown on Scottish Widows banking platform. While this could have caused confusion, given that Mr W had been told on 24 January 2024 that Scottish Widows had all of the information it needed for the surrender, I am satisfied that Mr W would have known that process was happening at the time.

Overall, I am satisfied that Scottish Widows completed the surrender of Mr W's policy appropriately and in line with its normal process. I also consider the compensation it paid for the inconvenience its poor service caused Mr W is appropriate and proportionate in the circumstances.

**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 Mr W to accept or reject my decision before 13 June 2025.

Derry Baxter  
**Ombudsman**