

The complaint

Mr A complains about Scottish Friendly Assurance Society Limited (SFA). He said SFA did not pay him all that he was expecting when his endowment policy matured. He would like it to compensate him for the difference between what it told him he would receive, and what he received. He would also like it to pay him compensation for the distress and inconvenience it caused him.

What happened

Mr A took out a with profits endowment policy with Canada Life in 1999. SFA took over the administration of Mr A's policy. In 2017, Mr A was notified that his with profits policy would change to a fixed guaranteed sum assured policy. The policy matured on 20 May 2024 with Mr A paying all of his premiums up to that date.

Mr A said he was notified in a 'green alert' letter dated 14 December 2020 by SFA that he would be paid £50,000 when his endowment policy matured. He said he could see this was made up with a guaranteed payment of £37,614.70 and a surplus amount of £12,385.30. He said these amounts were stated to him clearly in the letter.

Mr A said when it came to SFA paying him the maturity value, he only received £37,614.70 deposited into his bank account. He said he did not receive the surplus amount. He said his plans for the future had been severely impacted by the lack of expected funds. He said he has suffered distress and inconvenience by the uncertainty and stress that SFA have caused. He said this has affected his health.

SFA said in response that it had confirmed with its actuarial department that the amount paid to Mr A was correct. It said the £50,000 that it quoted in the letter in 2020, was a target amount and wasn't guaranteed.

SFA then said although it empathised with him, it was satisfied he received the correct amount. SFA said it had identified that there was a short delay in paying him this amount, so it paid £100 for this and a payment of £158.29 for interest accrued during this delay.

Mr A was not happy with SFA's response and referred his complaint to our service.

An investigator looked into Mr A's complaint. Whilst he was gathering information, SFA contacted our service and said it had since realised that the letter it sent in 2020 was issued in error. It said it shouldn't have sent a projection letter to Mr A as his policy had changed from with profits to a fixed sum assured policy. It said therefore there was no surplus amount, and he shouldn't have received this letter, as it had incorrect information on it.

SFA said in light of what it had found out, it was prepared to pay £300 for the distress and inconvenience it had caused but wouldn't pay the difference as Mr A was not due this amount.

The investigator sent his view where he put SFA's offer to Mr A. He said he felt the offer was a fair one.

Mr A was not in agreement with the investigator's view. He said he could not accept the offer. He said he hadn't been provided with answers from SFA, that it had provided to our service. He said he made financial plans for himself, and his family based on the information SFA provided.

Mr A then found a second letter, dated 11 January 2022. It was another 'green alert' letter, similar to the one received by Mr A in 2020. A second investigator put this second letter to SFA.

SFA said it did not want to change its position or offer. It said it paid what Mr A was entitled to. It said it appreciated there may have been a loss of expectation, but it didn't feel Mr A should have made significant plans until the claim had been made. It said it felt its offer for the loss of expectation was fair.

The second investigator involved in this complaint sent his view to the parties. He concluded that displaying information about a surplus amount was misleading – that was mentioned in both 'green alert' letters. He recommended SFA increase its offer to £650 in addition to the interest it had already paid. He said SFA should pay any direct financial loss Mr A has suffered as a direct result of SFA's communication error, providing Mr A can demonstrate this.

Mr A said he didn't think the investigator's recommendation was a fair way to resolve his complaint. He said he made plans for the money and went through with those plans.

I issued a provisional decision on this complaint on 31 March 2025. Both parties have received a copy of that provisional decision, but for completeness I include an extract from the decision below. I said;

"I understand the crux of Mr A's complaint is that he didn't receive all that he was expecting when his endowment policy matured in 2024. He was expecting £50,000 and he received £37,614.70.

Mr A said he had these expectations due to two letters sent by SFA in 2020 and 2022. I have looked through these and can see why he would be given the impression he was going to receive £50,000 when his policy matured. Both letters are quite clear and make the same statement in a prominent place at the centre of the first page:

"Your plan will repay the target amount of £50,000, assuming you pay all the premiums that are due."

SFA has since said it sent these letters in error and that Mr A shouldn't have received them. In particular, due to Mr A's policy changing in 2017, he wouldn't have received any surplus amount as such, with all benefits generated going towards his guaranteed sum assured. So SFA has admitted it made a mistake here in that it shouldn't have sent these letters and should presumably have sent more accurate communication to Mr A about what his policy was actually worth.

Firstly, I don't think it would be fair and reasonable for me to ask SFA to pay the difference between what Mr A's policy was worth at maturity and what it had told Mr A it was going to be worth at maturity. I am satisfied after reading what SFA's actuary has provided, that Mr A received the actual value of his policy.

The reality is that Mr A was only ever going to receive the lower sum and I cannot direct SFA to pay out more than was due under the policy. To be clear, I would apply the same

approach if Mr A had been misinformed he was going to get less than his policy was actually worth. I would in either scenario be asking SFA to put Mr A in a position he would have been in, but for its mistake. Its mistake here being misinformation, and the position Mr A would be in but for this, is receiving the actual value of his policy.

I also don't think I can conclude SFA are responsible for any financial loss suggested by Mr A either. I say this because, although Mr A has said he has incurred a loss due to SFA's actions, he's not provided our service with any information about what this is.

Instead, Mr A has said he had plans for the money he thought he would receive from the policy. That is understandable. If he had committed to those plans and had suffered a financial loss because he had to pull out of them, I might be able to consider an award for any losses here. But, Mr A has not mentioned any such losses, despite being given the opportunity. Instead, I think on balance, Mr A was making plans and was disappointed when the money turned out to be less than he had been told.

That said, SFA has made mistakes here and it has not treated Mr A fairly. I can see clearly there is a loss of expectation by Mr A, and this has been caused by SFA's mistakes. I can see that its mistakes would have caused significant distress and inconvenience to Mr A, and he would have had to readjust his plans in one way or another. I can see how this would have been a problem and I empathise with him about all of this.

The investigator has suggested SFA pay Mr A £650 in recognition of this loss of expectation. I agree this is a fair and reasonable amount, and I am going to award the same. But SFA should pay this in addition to the £100 it has already paid for the delay it caused in delaying payment of Mr A's policy and the interest payment of £158.29 it has also already paid. The compensation it has paid to date, was for a separate issue being that of a short delay. So, I think in addition it should pay £650 to Mr A for loss of expectation, due to its mistakes.

In conclusion, I don't currently think SFA should pay anymore to Mr A regarding the maturity of his endowment policy and also don't think it needs to pay anything else regarding a suggested financial loss. I do currently think SFA should pay Mr A £650 for the distress and inconvenience it has caused Mr A."

I asked both parties to let me have any comments, or additional evidence, in response to my provisional decision.

SFA responded on 31 March 2025 and said it was happy to accept my decision.

Mr A responded on 3 April 2025 and said he would like to make some points before my final decision is made.

Mr A said his financial loss concerns a planned family holiday that was booked around a month after the policy matured. He said the proceeds from the policy was an important factor. He said the holiday cost over £10,000 and he had planned a huge part of his policy proceeds to pay for it. He said these plans had been made years in advance, and they couldn't abandon such a significant trip.

Mr A repeated that not receiving what he thought he was going to receive, soon became very stressful and a time of huge anxiety.

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.

I have read Mr A's additional comments that he sent to our service on 3 April 2025. I acknowledge that he had already planned his trip, that it was a significant one and that not receiving the sum of monies he was expecting, caused him stress and anxiety. That said, based on what he has said and in the circumstances of his complaint, I don't think I can fairly ask SFA to pay any sum for financial losses, in addition to the compensation I have recommended it to pay up to now.

I say this, because I don't think Mr A has made any financial losses, because of the mistakes SFA has made here. Mr A had booked an important holiday and had committed proceeds from his policy maturity to put towards it. I see that he did this and went ahead with the holiday. So, the mistakes SFA made, this being of misinformation, did not cause Mr A to incur any additional costs here. He still went ahead with his plans.

When a business makes mistakes, and a consumer has lost out because of this, I would normally expect the business to put them back in a position they would have been but for its mistakes. In this case, Mr A didn't financially lose out because of SFA's mistakes. He received what his policy was worth and used some of that to pay for a holiday he had booked. He didn't incur any losses because of this.

As I said in my provisional decision, what Mr A did suffer from was a loss of expectation. He thought he was receiving more than the policy was actually worth, and this caused him distress and inconvenience. I empathise with Mr A and do think he has had a valid complaint about this. SFA should pay Mr A compensation for the distress and inconvenience it has caused. SFA has responded and said it was happy to accept my decision and do this.

So, because of what I have just concluded, I don't see any reason to depart from my findings within my provisional decision. SFA should pay £650 to Mr A for the distress and inconvenience it has caused, in addition to the compensation it has already paid.

My final decision

My final decision is that I uphold Mr A's complaint about Scottish Friendly Assurance Society Limited.

Scottish Friendly Assurance Society Limited should pay Mr A £650 in addition to the compensation it has already paid

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr A to accept or reject my decision before 22 May 2025.

Mark Richardson
Ombudsman