

The complaint

Mr N complains about the way SCOTTISH WIDOWS LIMITED (SWL) has handled the maturity of his investment policy. He says errors were made and his queries weren't handled properly.

What happened

In 1981, Mr N took out a With Profits Life Assurance Policy with SWL. It had a sum assured of £10,000 and a term of 43 years, which meant it was due to mature in February 2024. The policy matured on 18 February 2024. The maturity value was £72,399.13.

In January 2024, Mr N contacted SWL to ask what the procedure was to get payment of his maturing policy. Over the following weeks he encountered several problems when trying to establish the procedure for receiving the proceeds – including issues to do with the timescales involved, delays in making payment and the valuation. He raised his concerns with SWL.

SWL responded to the complaint. It acknowledged that it had caused Mr N inconvenience in the way it handled the maturity. It apologised and paid him £200 in compensation.

Following this Mr N, continued to raise concerns about the value of his policy not increasing since the estimated value he was given as at 1 December 2023. He also had problems in obtaining information relating to the tax status of the policy proceeds.

In June 2024, SWL paid him a further £200 in compensation to recognise the errors it had made in handling his queries. And a further £250 was paid to him in September 2024 for the poor service he had received and the inconvenience this had caused.

After several months of trying to obtain information, Mr N was informed that his policy was “qualifying” for tax purposes, allowing him to complete his tax return. In October 2024, he was given an explanation as to why the value of his policy hadn’t increased. SWL said the December 2023 quote assumed all required payments would be met to maturity, and as the last premium was paid, this is why there was no difference in the actual amount paid. As part of this response, he was paid a further £100 in compensation.

Mr N didn’t accept this explanation and referred his complaint to this service for an independent review.

After the complaint was referred to us, SWL made Mr N a further offer of £300 (bringing the total amount to £1,050) in compensation to recognise the impact of the handling of Mr N’s queries about his policy. Mr N didn’t accept the new offer and asked us to investigate his complaint.

One of our investigators looked into the complaint. He found the compensation offered by SWL was a fair and reasonable way to resolve the complaint. In respect of Mr N’s concerns about the final maturity value he received, he was satisfied SWL had paid the correct amount. He also clarified that SWL had confirmed it made an error when it sent the

estimated value in the maturity quote. It said it referenced a 1 December 2023 value incorrectly when this should have said it was the value on 16 January 2024, which was only a month from maturity.

Mr N didn't think his complaint had been fully answered. In summary he said:

- The main element of his complaint is regarding the payout received at maturity being the same as the estimate value given to him as at 1 December 2023, and SWL's failure to explain why the value had not changed over the two and a half months between these dates.
- He questions the evidence there is to say the maturity value is correct and based on the performance of the fund over the term of the policy and that he has been allocated a true and fair proportion of those profits.
- This is the first time he has been made aware that the date of 1 December 2023 stated in the maturity quote was incorrect, and the value given was actually from a later date. He said this should have been the first thing SWL told him. There hasn't been any compensation offered for this continued failure of SWL to explain things correctly.

As no agreement could be reached the complaint has been passed to me for a decision.

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.

Firstly, I acknowledge Mr N's disappointment with the maturity value he received for his investment in light of the information he received in January 2024 about the estimated valuation. SWL has admitted errors in how it handled Mr N's queries and paid him compensation. But Mr N remains concerned that he hasn't received the correct value for his policy. But in order to uphold the complaint on this basis, I'd need to be satisfied that there had been failings by SWL that led to Mr N receiving an incorrect maturity payment.

Mr N's policy was invested in a with-profits fund. This meant the maturity value is made up of the basic sum assured, the annual bonuses that have been added each year and any terminal bonus that SWL applies. But terminal bonuses cannot be guaranteed. The amount paid is a commercial judgement on the part of SWL. It is for it to decide whether the fund can afford to pay terminal bonuses, and if so, at what rate. So, Mr N would receive whatever rates were in force at maturity of his policy.

When SWL provided an estimated maturity value in January 2024, it gave a figure of £72,399.13. It said this was the value as at 1 December 2023 but clarified this was only an estimate not a guarantee. Mr N's expectation was as there was a period of a couple of months between this date and maturity in February 2024, the value of his policy would increase.

While Mr N expected his investment to increase, this wasn't guaranteed. And in actual fact the amount of terminal bonus is likely the biggest factor in determining whether the estimate would change, so close to maturity. And for the reasons explained above, an additional month or two to maturity wouldn't necessarily mean a larger maturity bonus would be made. The other main factor impacting the final value is that all premiums were paid.

But in any case, SWL has since explained that there was an error in the letter it sent to Mr N in January 2024. It says the valuation it gave in this letter incorrectly said this was the value as at 1 December 2023, when it was actually the value as at 16 January 2024. This was only

a month till maturity – and with only one premium left to be paid it didn't expect significant change in the valuation this close to maturity (although still not guaranteed).

SWL has been able to provide further details of how the actual maturity payment was calculated. It says this was made up of a sum assured of £10,000, the declared annual bonuses of £23,831.37 and the terminal bonus of £38,567.76 making the total £72,399.13. While I understand why Mr N has concerns about the maturity value, in light of the way his queries have been handled by SWL, I haven't seen evidence to support that there has been a failing in the amount he has been paid at maturity. I also don't think the error which SWL has now admitted in the maturity quote has caused Mr N a financial loss.

I have considered the practical and emotional impact on Mr N as a result of the way SWL has handled his queries about the maturity of his policy. It is clear there have been failings and miscommunication. This has caused Mr N frustration and upset. It has left him finding it difficult to trust what SWL has told him. He's also had to spend a significant amount of time trying to resolve things and get a clear explanation, and this continued after the complaint was referred to this service. SWL has paid a significant amount of compensation (£750). It also made a further offer (of £300) since the complaint was referred to this service, so I'm satisfied it does appreciate the extent of the impact on Mr N.

I've considered the compensation in the round, and although Mr N has received a series of payments from SWL, I think it is better to consider everything and then look at whether overall the compensation paid is fair and reasonable in all of the circumstances. The monetary compensation offered is £1,050. In my view this amount fairly reflects the impact of the errors on Mr N. This means I won't be asking SWL to pay anything further, other than the last offer of £300 that it made when the complaint was with this service (which I understand hasn't yet been paid).

In summary, I find there have been errors made by SWL when dealing with Mr N's queries about the maturity of his policy. This has impacted him, so a compensation payment is warranted. But I haven't found reason to reach a finding that he has been paid an incorrect value for his policy a maturity.

My final decision

SCOTTISH WIDOWS LIMITED has made an offer to pay a total of £1,050 to settle the complaint and I think this offer is fair in all the circumstances. I understand £750 has already been paid, so I direct it to pay Mr N the remaining £300.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr N to accept or reject my decision before 31 July 2025.

Daniel Little
Ombudsman