DRN-5571901

The complaint

Mr Y complains that the maturity values that Phoenix Life CA Limited (Phoenix) paid him for his endowment plans were less than he was expecting. To resolve his complaint, Mr Y wants to be paid the values that Phoenix set out in its valuation dated towards the end of March 2024.

What happened

Mr Y held two low-cost endowment plans with Phoenix, which were invested in with-profits funds. On 15 March 2024, Phoenix wrote to Mr Y to say that his plans were due to mature on 8 April 2024 and that the plan's estimated maturity values were £51,751.52 and £50,903.12.

A week later, on 21 March 2024, Phoenix provided Mr Y updated plan valuations with the values showing as £57,481.37 and £56,539.05 excluding additional benefits. On 25 March 2024, there were nominal increases to both values, however, when Mr Y's plans matured on 8 April 2024, the maturity values paid out were £51,751.52 and £50,903.12 including bonuses.

Mr Y complained to Phoenix about the maturity values being less than what he'd been expecting across both plans. He said he ought to have received around an additional £8k plus bonuses in line with the latest valuations. He said there were no signs of the additional bonuses being paid and that he had been assured by Phoenix if he had kept the plans until maturity, he would achieve higher values.

Phoenix replied to Mr Y's complaint on 14 May 2024. It didn't uphold the complaint about the maturity values being less than he was expecting. Phoenix said:

"Your Low-Cost Endowment Plans had a built-in guaranteed minimum amount of life cover. However, if the sum insured plus bonuses exceeded the guaranteed minimum death benefit, we would have paid out this sum. The full details are given in your terms and conditions.

As previously mentioned, being a with-profits plan-holder, you are entitled to a share of the profits made by the with-profits fund in which your plans were invested. That share is added each year in the form of a reversionary bonus. The reversionary bonus then becomes a permanent addition to the death benefit or maturity value and cannot be taken away.

In addition, we may pay a terminal bonus when a plan matures, or if death occurs. However, terminal bonuses are allocated at the companies' discretion and are subject to adjustment or withdrawal at any time.

Funds can fluctuate on a daily basis and there are no set percentages of how much these can increase or decrease by. Even a fund considered low risk can see these fluctuations. There are no guarantees with this type of investment and the value can go down as well as up as confirmed in our documentation."

Unhappy with the response, Mr Y referred the complaint to this service. It was looked at by one of our investigators. She did not think the complaint should succeed. Our investigator said:

- The basic sum assured was guaranteed, and once the reversionary bonus was added, this too was guaranteed. However, the terminal bonus wasn't a guaranteed feature of the plans. Nonetheless, both reversionary and terminal bonuses were included as part of the final maturity values.
- The illustrations didn't provide any guarantee in relation to the maturity value, and that when the plans were discussed, the information given was based on that specific day the call was made, or the valuation was dated. This was further confirmed in phone calls Mr Y had with Phoenix prior to maturity as well as in its pre-maturity letter dated March 2024, where it confirmed fluctuation of the underlying fund could occur daily.
- There was nothing in the phone calls to indicate that if Mr Y held onto the plans until maturity, he would achieve a higher final sum.
- Ultimately, the investigator didn't think any of the information that he'd been supplied was misleading

Mr S disagreed and asked for an ombudsman to review the complaint. The matter has now been passed to me.

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 plans invested in the with-profits fund. This meant they provided a basic sum assured (the guaranteed minimum amount payable at maturity). Any additional amount payable was dependent on investment returns in the with-profits fund, which were added in the form of bonuses (reversionary and terminal bonus).

I have reviewed the plans' literature to determine what Mr Y was told as to the maturity value of his plans. Personal illustrations were sent to Mr Y which showed projected values at different growth rates.

The 'notes' section of the illustrations state the following:

"These figures are only examples and are not guaranteed – they are not minimum or maximum amounts. What you will get back depends on how your investments grow and the tax treatment of the investment. You could get back more or less than this. You could get back less than you paid in. The actual value payable will depend on both the future actual investment growth and actual mortality and expense experience."

And in relation the bonuses, the statements Mr Y received say:

"Terminal bonus

When your plan ends, you will normally also get another bonus – this is called a final or 'terminal' bonus and ensures that you get your fair share of the Fund. The amount you get will depend on how the Fund has performed during the time you have been invested and the expected future Fund performance. It also reflects the effect of smoothing investment returns and the cost of running the Fund. This means that, if the Fund has performed badly for several years, you could get a small final bonus or no final bonus at all. Similarly, if the Fund has performed well for several years, you could get a bigger final bonus."

I think the above information clearly explained what would happen upon maturity, and ought to reasonably have made Mr Y aware that his estimated maturity amount wasn't guaranteed and that any amount of additional bonus payable could vary. I also think that Phoenix had explained that in some circumstances no terminal bonus would be payable at all.

Regardless of this, Mr Y says the valuations he'd received in September 2023 and then on 21 and 25 March 2024 were considerably higher and excluded additional benefits. He can't understand the large difference in what he thought he'd get and what he ended up with. I understand his point regarding the higher valuations received particularly in the run-up to maturity, demonstrated an upwards trajectory. However, it's important to note that he also received a pre-maturity letter on 15 March 2024, which indicated both plans were valued at approximately £50,000 and £51,000. The letter outlined *"The figures indicate what your plan may be worth when it matures. The total could go up or down between now and the maturity date depending on the final bonus rate at maturity."* This demonstrates that the funds were indeed subject to fluctuation.

This was reconfirmed during a call Mr Y made to Phoenix on 21 March. On that day, it happened to be that both plans were valued at £56,000 and £57,000. But, during the call, I note the adviser explained the funds were subject to fluctuation as *"they sit on the stock market so it will go up and down based on how stock market performs."* She also explained that upon maturity, the maturity figures would be recalculated. As such, I'm satisfied that this information made clear, that despite the positive valuations received, in the short periods leading up to maturity, the valuations weren't static, and that the final maturity values could still result in returns lower than those interim valuations suggested, even with the possibility of additional bonuses being added. So, coupled with the information provided to Mr Y in both the terms and conditions as well as the correspondence received over the years, I think it reasonable that Mr Y was made sufficiently aware that the fund value was not guaranteed. From the statements I've seen and the calls I've listened to; I'm satisfied they confirm that unit prices could vary daily. That means Mr Y knew - or should likely have known - that the value of his funds could change.

Moving to the bonuses, Mr Y has said that the no bonuses were paid. As explained above, although these weren't guaranteed, in this case, I am satisfied Mr Y received a payment for both reversionary and terminal bonuses, all of which was set out for him in Phoenix's letter dated 11 April 2024.

Finally, Mr Y alleges he was advised to retain the plans until the end rather than surrender. Having listened to the call recordings, I can't agree that the evidence supports Mr Y's assertion. Although Mr Y did inform various advisers that he may need to surrender his plans, there is no indication in any of the call recordings that advisers told him he would receive a higher payout by retaining the plans until maturity. As such, I'm not inclined to agree with Mr Y that Phoenix provided incorrect advice or acted improperly.

Therefore, taking into account all the available evidence, I am unable to uphold Mr Y’s complaint about the maturity value of his endowment plans being less than what he was expecting.

My final decision

I do not uphold Mr Y’s complaint.

Under the rules of the Financial Ombudsman Service, I’m required to ask Mr Y to accept or reject my decision before 24 July 2025.

Farzana Miah
Ombudsman