

The complaint

The estate of Mrs H along with Mr D, Mrs S, Mr J, Miss E, Miss A, Mr F and Miss F (when referring to them as a group I will call them the complainants) complain about the way Aviva Life & Pensions UK Limited (Aviva) handled their request to encash segments from the investment bonds they were assigned ownership of. They say delays caused by Aviva caused them a financial loss, as well as frustration and upset.

The complainants are represented by Mr H as a group (including in his capacity as the executor for Mrs H's estate).

What happened

Two investments bonds, issued by Norwich Union, were held in two Trusts – referred to as 'bond UL' and the 'bond UZ. The complainants were the beneficiaries of the bonds held in the trusts that were later assigned to them for encashment. Mr D and Mrs S being the remaining beneficiaries of bond UL, and the other complainants being beneficiaries of bond UZ.

In June 2022, Mr H, in his capacity as a trustee, made inquiries with Aviva about making arrangements to encash the bonds and pay the proceeds to the beneficiaries.

The process began in July 2022, with clarification and guidance sought by Mr H from Aviva regarding the relevant forms and documentation needed to complete this process. A protracted process followed as Aviva's requirements for assignment meant further information was needed. Eventually the assignments and encashment were carried out. The beneficiaries received the proceeds on 15 November 2022 for bond UZ, although sadly Mrs H had passed away shortly before this, so the segments due to her weren't paid to her estate until January 2023, with a delayed interest payment. The proceeds for bond UL were paid to the beneficiaries on 23 November 2022.

Mr H raised a complaint with Aviva about its handling of the matter and he was paid compensation after Aviva accepted that it made a number of errors resulting ultimately in the delayed payment of the funds. This complaint was referred to this service. It was considered on the basis it was brought by Mr H and one other beneficiary. A final decision was issued in relation to this complaint in September 2024. The ombudsman found there had been some avoidable delay, and required Aviva to calculate whether the two beneficiaries who brought the complaint had suffered a loss.

In late 2024 after discussion with this service, a complaint was raised with Aviva on behalf of the other remaining beneficiaries about its handling of the encashment of the segments they were due to receive from the bonds.

In early February 2025, Aviva responded to the complainants to say it would not be paying any compensation on their individual complaints. Essentially it said the delays hadn't resulted in a financial loss. Following this, as the complainants weren't in agreement with Aviva, this service began investigating the matter on their behalf.

One of our investigators issued an assessment. In summary he said:

- The complainants would've had access to the funds sooner – if it wasn't for Aviva's shortcomings. On balance, the delay caused was around three and six weeks, for bond UZ and bond UL, respectively.
- He didn't find Aviva was responsible for the longer period (eight to ten weeks), Mr H suggested. He considered the processing of the assignment and encashment was non-standard and the nature of the instruction caused complexity to the process. And a contributing factor to the delays was Mr H's hesitation in complying with some of Aviva's requirements.
- The investigator didn't think the evidence supported that an award for distress or inconvenience was due to the complainants. Mr H himself had suffered distress and inconvenience as a result of Aviva's mistakes – but as he dealt with Aviva on behalf of the complainants it limited the impact on them. He acknowledged Aviva's delays had an impact on some of the complainants as they were expecting to receive the proceeds sooner but didn't think any guarantees or deadlines were given for when the encashments would take place.

Aviva responded to say it had already calculated whether the suggested delay of three weeks for bond UZ and six weeks for bond UL, had caused a loss. It says the beneficiaries' received more than they would have if the bonds were encashed sooner. So, it said there was no loss to pay, or associated interest for delays.

Mr H responded on behalf of the complainants to say they didn't accept the assessment and requested an ombudsman reaches a decision. In summary he said:

- The direct experience of the assignment and surrender of other investment bonds held with different firms at the same time as Aviva showed that, if Aviva had had a well-functioning customer administration with access to staff with knowledge of trusts and legal assignment, payments could have been made in September 2022.
- The Ombudsman, in upholding the previous complaint, determined that Aviva was responsible for delays of three weeks and six weeks in payments from the two investment bonds. They submit that Aviva is responsible for delays longer than this, particularly before the submission of the necessary policy documents in September 2022, not just in the process afterwards.
- They are not seeking to challenge this determination regarding the delays. But it provides a basis on which a decision for partial financial redress to the complainants for the economic loss they suffered can be made. If Aviva was indeed responsible for delays in payment of three weeks and six weeks respectively, then it should at least be required to pay interest for that period.
- In respect of the impact on the complainants, Mrs H felt angry and betrayed by Aviva that she could not 'get the money out of Aviva' and give it to her family before her death as she wished. The other complainants suffered inconvenience as a result of the delays in the process of assignment and surrender.
- It has already been determined that Aviva was responsible for delays of three weeks and six weeks in the payment of funds to the policyholders. The undeniable logical consequence is that the policy holders suffered a loss of interest. The only question that should be asked is what interest rate it is appropriate to apply.

Following this, I provided details of the impact on Mrs H to Aviva for its consideration. Aviva said it was prepared to make an offer of £300 to the estate in recognition of the impact of its handling of the situation. This offer was put to Mr H, who confirmed that the estate was prepared to accept this offer in relation to the impact suffered by Mrs H. The investigator confirmed this to Aviva and asked it to make this payment.

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've not detailed everything that's happened and just summarised the background, but I have considered all the information provided by Mr H to show the circumstances of the dealings he had with Aviva when representing the other complainants. It is clear there was a protracted process before the complainants received the funds they were entitled to from the bond. I've considered the information provided by Aviva to explain its requirements, and why it wasn't able to process the encashments as quickly as Mr H anticipated.

I'd also like to be clear I won't be reconsidering the previous issues that were decided by another ombudsman in respect of the other complaint Mr H brought in his own capacity (alongside another beneficiary). But I do recognise that many of the facts surrounding the encashment process are the same, so acknowledge there is cross over between the two complaints. The focus of my findings on this complaint is from the perspective of the complainants in their position as beneficiaries of their individual segments – and the impact Aviva's handling of the encashments had on the proceeds they received.

The process from initial inquiry to when the complainants received the funds they were due as beneficiaries took several months. And the fact they received less than the initial surrender quotes, Mr H received in July 2023, is clearly a large factor as to why they are unhappy with the length of time it took for the process to be completed.

Our investigator said that Aviva's handling of the situation caused a delay of three weeks for the surrender of bond UZ and six weeks for the surrender of bond UL. As set out by the previous ombudsman, the circumstances of the process mean it is difficult to say precisely when the bonds would have been surrendered but for the delays that can be attributed to Aviva. I find the suggestion of the period of delay set out by the investigator to be a fair and reasonable basis for calculating if there has been a financial loss. There are mitigating factors that mean Aviva isn't responsible for all of the delays in the process. The legacy product and the fact the bonds were held in trust meant that the process was always likely to be more difficult than a simple surrender transaction being processed by a policyholder. I appreciate Mr H thinks a comparison with the time taken for other providers to complete similar transactions is relevant. But requirements for each business can mean processes are different, and in any case, I don't think it is helpful to make a direct comparison where there are different facts that impact the completion of any transaction.

I note the comments Mr H has made about Aviva accepting delays and selecting a point in time for comparison that is beneficial to itself – and he feels obtaining fund data will support his point. For the purpose of my decision making, the relative performance of the bond isn't a consideration for what level of delays are attributable to Aviva. The performance of the bond is only relevant when deciding the amount of any loss (if indeed there has been a loss) – which I will consider later in my decision.

I also note in his communication titled 'Final Submission' for this complaint (sent in response to the investigator's findings), Mr H has indicated the complainants are not seeking to challenge this determination regarding the length of delays (whilst maintaining he still believes Aviva is responsible for longer delays). But he says, the complainants are still due partial financial redress for the economic loss they suffered. He says, if Aviva was indeed responsible for delays in payment of three weeks and six weeks respectively, then it should at least be required to pay interest for that period. He has also provided information to explain the impact of Aviva's handling of the situation on the individual complainants.

Having considered everything, I haven't found reason to change the timescales for delays the investigator set out in his assessment. I will therefore focus the rest of my decision on whether Aviva needs to pay compensation to the complainants due to its handling of the encashment of the relevant segments of the bonds. So, I've looked at whether there has been a direct financial loss due to the delay of three weeks on bond UZ and six weeks for bond UL.

While, not in full agreement that it is responsible for delays of this length, Aviva has calculated the impact of delays on this basis for each of the complainants who were assigned segments for bond UZ and for the complainants who were assigned segments for bond UL.

These calculations show the position as if the bonds were encashed earlier as suggested, to see whether the complainants would have received more than they actually did because of the delays. In all cases, the complainants would have received less if the earlier date for encashment was taken. I note these calculations have been provided to the complainants, and Mr H by Aviva. Whilst the amount varies depending on the bond and the segments assigned to the complainants, roughly speaking the values show they are each a few hundred pounds better off.

In this situation, while a failing has been identified in respect of Aviva's handling of the encashments, the result of the failing has not resulted in a financial loss to the complainants. Put in other words, despite the delay, they have received more than they would have if Aviva had processed the encashment three weeks sooner for bond UZ and six weeks sooner for bond UL. I haven't seen anything to suggest Aviva has sought to clawback any notional gain made as a result of the delays. But in any case, I would not see this as a fair and reasonable thing to do in the circumstances where it is responsible for delays.

I've considered Mr H's points about the complainants being due interest due to the delay. It appears, when it comes to paying interest, Mr H doesn't see a difference between a delayed payment and a delayed sale of the investment. His view is that interest is due to the complainants because of the delays Aviva caused in selling down the investment when encashing it. But I don't think it is appropriate for interest to be added to the amounts received by the complainants. I'll explain why.

In the situation where a crystallised loss has been identified as result of a delays it caused, I would expect Aviva to pay interest on that loss. But as explained, there hasn't been a direct financial loss identified for any of the complainants. So I don't think it is appropriate to pay interest on the actual surrender amounts received. The calculations show the complainants received more than if the bonds would have been encashed earlier – so there isn't any loss to add interest to. And I consider the gains (the difference in surrender values) the calculations show, more than compensates for any interest they have lost out on by not receiving the funds earlier.

The exception to the above, is that Aviva did agree to late payment interest to be provided to Mrs H's estate as it didn't pay the proceeds of the segments due to her for several weeks after the surrender. I consider this scenario to be different to that of the other complainants. The reason for paying interest isn't related to the loss calculation, but rather because the estate didn't have access to the funds it was due for a period of time after the encashment. This was largely due to the specific circumstances of this beneficiary (Mrs H sadly passed away around the time payments were due to be paid) meaning there were difficulties in making the payment – and the proceeds were erroneously sent to the wrong account initially. I think it was fair and reasonable for Aviva to pay late interest to the estate in these specific circumstances.

Lastly, I've considered whether Aviva is required to pay compensation to the complainants for any distress and/or inconvenience caused to them as a result of its failings. I have carefully considered all of the information Mr H has provided about this. Mr H has represented the complainants through the process, so this has shielded them from a lot of the hassle of dealing with Aviva directly. But I accept, all of the complainants have suffered disappointment with the length of time it took for everything to be processed. But it is clear that the impacts have varied between each individual.

It is apparent that the impact on some of the complainants (Mr D, Mrs S and Mr F) was minimal and it is accepted they did not suffer any particular inconvenience beyond not being able to allocate the funds to their intended savings as soon as they hoped. So I don't find grounds for any compensation here. I understand that there was greater impact on (Mr J, Miss E, Miss A and Miss F), and some of them suffered more than others due to their individual situations. Mr H has explained these complainants had outstanding debt they were hoping to pay off, so the delay caused upset and frustration as they were continuing to incur interest on their loans. It doesn't seem that there was any guarantee on when the funds would be available for a specific requirement that was given to Aviva linked to these complainants. I appreciate that the situation would have caused concern and frustration. But I've taken into account that they don't appear to have had any direct involvement with Aviva about these issues and were being represented throughout the process. Just because a failing has been identified, it doesn't necessarily follow that we should always award compensation – especially when the impact is minimal. Based on what I've seen here I don't think there is grounds to say Aviva should make a compensation payment to these impacted complainants.

But I acknowledge the specific points Mr H has made about the impact on Mrs H. I understand that the problems with the bonds occurred when she had found out she was suffering from a terminal illness. Despite not dealing with things herself, the situation caused her upset and frustration in the last weeks of her life as she wanted the satisfaction of knowing her assets had been passed on to family members as she had intended. I'm sorry to hear this.

I'm not able to award compensation for distress and inconvenience to the estate for anything that happened after Mrs H passed away. So, I'm only considering the impact that occurred prior to this. As noted above, Mrs H wasn't dealing with Aviva directly, but I appreciate that she did suffer upset when hearing about the problems Mr H was having in trying to resolve matters on her behalf. I acknowledge, this was undue upset at a difficult time for Mrs H. Aviva has now offered to pay compensation of £300 to the estate in recognition of this. I find this offer to be fair and reasonable in the circumstances, and in line with what I would award. I understand this offer was accepted and Aviva is now paying this compensation to the estate, but if it hasn't already this should be done immediately.

For the reasons explained, I don't require Aviva to do anything further. It has already completed the loss calculations that the investigator set out to establish whether the delay of three weeks for bond UZ and six weeks for bond UL, caused a loss to the complainants. As this didn't result in a loss being identified, there is no compensation to be paid.

I understand this will come as a disappointment, but I also haven't found that it needs to pay interest or any further compensation to the complainants for the impact of its failings.

My final decision

Aviva Life & Pensions UK Limited has already made an offer to pay £300 (to compensate the estate of Mrs H). I understand this offer has been accepted by the estate and the

compensation is in the process of being paid. I think this offer is fair in all the circumstances. I don't find Aviva Life & Pensions UK Limited needs to do anything further to settle the complaint for the reasons explained.

Under the rules of the Financial Ombudsman Service, I'm required to ask the complainants to accept or reject my decision before 11 September 2025.

Daniel Little
Ombudsman