

## The complaint

Mr and Mrs B complain about the market value reduction (MVR) that The Ancient Order of Foresters Friendly Society Limited (trading as Foresters Friendly Society) has applied to their with-profits investment policies.

## What happened

In March 2021, Mr and Mrs B took out three investment policies with Foresters, ISAs and a bond. They added further funds to the investments later that year.

In November 2022, they contacted Foresters to arrange to deposit further funds, but were told that all three accounts now (since 14 November 2022) were subject to an MVR being applied. So, they decided to cancel the further deposits, and wait for the reduction of the MVRs significance.

In May 2024, Foresters wrote to Mr and Mrs B to explain that it would be closing its with-profits fund to new customers. It said it felt this was in the best interest for existing policyholders due to the associated costs of keeping the fund available for small numbers of new policies.

In August 2024, Mr and Mrs B raised a complaint with Foresters. They were unhappy the MVR reduction was still in place and would be applied to their investments if they surrendered or transferred them.

Foresters responded to the complaint. It didn't uphold it. In summary it said:

- The plans are long-term savings backed by investments and is not a cash product. At the time of purchase the risks were explained including that during periods of extreme investment market volatility, an MVR might be applied. An MVR is an adjustment that can be applied to the value of your investment if you choose to cash-in or withdraw from your plan during volatile investment conditions, reducing how much you get back. It ensures that everybody gets their fair share of the returns from a with profits fund and is designed to protect members who do not take their money out of the fund during poor market conditions.
- Since 2021, investment markets have fallen substantially, it was fair to apply an MVR to protect members who have plans invested in the with-profits fund. Investment volatility is not unique to Foresters and is experienced by all investment providers and their customers. The MVR does not affect all plans invested in the fund, only a small proportion, depending on how long the plan has been held for and the investment experience over its duration.
- An MVR is only applied in exceptional circumstances and is implemented as a last resort. The circumstances include periods of high market volatility and/or increased surrenders. You will only see the effect of an MVR should you wish to withdraw your money at the time there is an MVR in place. An MVR can be added, removed, increased or decreased at any time.
- The MVR will be removed as soon as investment returns allow so as not to cause detriment to all policyholders within the with-profits fund. The investment shocks that

all investment markets have experienced may mean that the fund could take some time to recover.

Mr and Mrs B provided further clarification about their complaint, and Forester issued a further response. They provided further details of their circumstances when they decided to invest and why they find it unfair for an MVR to be applied to all of their capital invested.

Foresters replied and provided further information about its with-profits funds. It also confirmed the investments were taken out on a non-advised basis, and this means that it did not provide any personal recommendation about the suitability of the products. It directed Mr and Mrs B to the sections of the policy terms and conditions to show that the possibility of an MVR was explained.

In September 2024, Mr and Mrs B required funds, so surrendered the bond – and incurred an MVR reduction on the proceeds.

After this, as no agreement could be reached, Mr and Mrs B referred their complaint to this service for an independent review.

One of our investigators looked into the complaint. He didn't think it should be upheld in summary he said:

- The policies were established on a non-advised basis, meaning they were purchased without receiving personal recommendations. Foresters provided information to enable Mr and Mrs B to make informed decisions, and they were given sufficient information to assess the suitability of the policies for their personal circumstances.
- The terms and conditions of the ISA/Bond contracts clearly outlined the disclosure of the MVR, so they were made aware of this risk.
- The policies include mechanisms designed to reduce volatility, such as smoothing, adjusting bonuses to mitigate short-term market fluctuations and diversified fund allocation across bonds, gilts, property, and equities to balance risk. MVRs are applied in adverse conditions to protect the fund's stability.
- Foresters confirm that the MVR calculation corresponds to a decline in the market value of the bond's underlying assets at the time of the withdrawal request. The reduction reflected the actual value of the assets, as required by the policy terms and conditions. There is no evidence that the MVR was applied pre-emptively or arbitrarily.

Mr and Mrs B didn't accept the investigator's findings, so the complaint has been passed to me to reach a decision. They provided further submissions. In summary they said:

- They understood the MVR application would likely affect the safety of their funds, but their complaint is about how the fairness of how the MVR was applied.
- The FCA requires businesses to pay due regard to the information needs of its clients, and communicate information to them. The crux of their complaint is that the application of an MVR should have been conveyed to all members immediately, allowing for those that wished to change their financial arrangements, with a short period afterwards to enable them to do that. This is what they would have done if such a communication would have been sent, so they could have terminated all of the accounts to avoid the MVRs impact.
- The MVR should have been communicated with a response window before implementation, but they did not receive "official" information until eight months later. Their complaint is that after the decision to implement an MVR, there was no time allowed for members to consider their own situation, before the MVR was applied.

- Foresters didn't pay due regard to their interests. The closeness of timing of their telephone call, in November 2022, to when Foresters applied the MVR without warning should at the very least have invoked a degree of professional and ethical care to allow them to withdraw funds without loss at that time.
- They were told that the MVR deduction was "to protect the other members". They believe it should only be those that after receiving the MVR information and decided to remain a member after a "cancellation window", should be affected.
- The problems arose either from the volatility of the market or from Foresters' management of their products in that market. It is clear that either Foresters do not maintain adequate resources, or wanted to avoid the problem of using them by passing the burden onto members who had a need to access their funds despite the impact of the MVR.

### **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.

Mr and Mrs B have been clear they understood how the MVR worked, and when it could be applied. They accept they were aware that in the documentation received at the start of our investments that it mentions an MVR was a possibility in the future, and they informed of how an MVR would work, but only at some future time.

The crux of their complaint is about the circumstances at the point when Foresters decided it needed to apply an MVR, and what they consider to be failings in how it communicated to them about this. Essentially, they say their complaint is that after the decision to implement an MVR, there was no time allowed for members to consider their own situation, before the it was applied.

Although not in dispute, I think it is still worth confirming that I'm satisfied Foresters did meet its obligations to Mr and Mrs B in providing them with information that an MVR may be applied to their investments at the time they were sold. I won't repeat this information, as this has already been set out by the investigator.

It doesn't appear Mr and Mrs B received a specific notice from Foresters' that an MVR was to be applied, and it was only by chance that they discovered this because they happened to be calling in to discuss their policies in November 2022. While I agree a notice of the MVR would have been helpful, it doesn't seem this impacted Mr and Mrs B significantly as they did find out relatively quickly about the MVR after it was applied (i.e. within a few days).

Having read their submissions, I understand Mr and Mrs B feel strongly that Foresters had an obligation to provide them with notice of the MVR being applied along with a 'window' to decide what impact it had for them. They have said if they did get this notice, without doubt they would have terminated all of their accounts to avoid the MVR.

I don't find that there has been a failing to communicate in the way Mr and Mrs B describe. I don't think there was an obligation for Foresters to give a form of advanced warning of the MVR applying and a window to avoid it. The purpose of the MVR is to help support the with-profits fund (and the interests of those clients invested within it) during market downturns. An increase in withdrawals from the fund isn't something the application of an MVR is trying to encourage. So in that sense it would be counter intuitive to create a situation that might increase withdrawals as this could damage the fund further (and increase the amount of the MVR). But in any case, I'm satisfied that sufficient information was given about the possibility of an MVR at the outset, and the fact that this risk materialised doesn't mean Foresters has failed to act and/or communicate in a fair manner.

I've also considered the point made by Mr and Mrs B about the circumstances around their November 2022 telephone call. They say as the MVR had only been applied a couple of days earlier, Forester should have allowed them to withdraw at that time without deducting it. They say the closeness of timing means Foresters should have acted to support them. But for similar reasons as I've given above, I don't think this is something Foresters needed to do. The purpose of the MVR was for specific circumstances impacting the fund at the time, and I don't think it needed to make any exception to its application regardless of the timings of Mr and Mrs B's telephone call.

Lastly, I haven't seen anything to suggest the MVR being applied is as a result of Foresters not maintaining adequate resources or seeking to pass the burden onto members. It has provided an explanation of why it needed to apply the MVR, and that this was to protect the long-term interests of the fund. Foresters has explained there were factors that impacted the fund at the time it applied the MVR. It has referenced the impact of the mini budget in 2021 - which affected cautious investments such as Mr and Mrs Bs to a greater extent as they invested in lower risk assets such as government bonds. It also said the war in Europe, high inflation and high interest rates had a negative impact on the fund's performance. It has explained overtime it expects the MVR to reduce and eventually be removed as the fund recovers, but this will likely happen over a number of years.

I appreciate this will come as a disappointment to Mr and Mrs B, and I do empathise with their situation concerning the impact the MVR has had on their savings, but for the reasons given I haven't found that Foresters have treated them unfairly. I therefore don't require it to do anything further.

### **My final decision**

I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr and Mrs B to accept or reject my decision before 23 October 2025.

Daniel Little  
**Ombudsman**