

## The complaint

Mr and Mrs E complain about Phoenix Life Limited (Phoenix) providing them with an incorrect maturity valuation in April 2022. When the policy matured a year later the maturity value was nearly half of what they expected to receive. They were also unhappy Mr E's address details weren't updated on their records as expected, which meant letters were sent to his previous address.

## What happened

Mr and Mrs E took out two endowment policies with Scottish Provident (now Phoenix) in 1998. They were initially taken to protect their mortgages, but once they realised the sum assured wasn't going to meet their mortgage balance they changed their mortgage to a repayment one – but still kept the policies. They said the policies provided critical illness cover for Mr E as well as life cover for both of them – and would be an additional method of saving.

On 28 March 2022 Mr and Mrs E called Phoenix to ask for up-to-date statements to show the current figures for both policies, as well as what they could expect to receive when the policies were due to mature in June 2023. Phoenix sent Mrs E a current surrender value letter dated 29 March 2022 confirming the main policy (policy A) had a surrender value of £37,766.81. Phoenix also sent a similar letter on the same date for the lesser value policy (policy B).

Mr and Mrs E received an estimated maturity valuation for policy A, dated 4 April 2022, but this didn't include a valuation for policy B. The maturity value estimated the amount payable at £64,768.28 - this included a final bonus of £43,178.85 (which wasn't guaranteed).

Mr and Mrs E retained the policies and continued to pay the premiums until maturity. In June 2023 Mr and Mrs E received a payment of £36,702.03 for policy A and raised a complaint as they were concerned by the difference compared to what they'd been told they'd receive a year earlier. The complaint also included points about only receiving £11,815.31 for policy B, compared to the surrender value quoted in March 2022 (£12,566.64), as well as not updating Mr E's address when Phoenix were told to do so in January 2021.

Phoenix looked into Mr and Mrs E's concerns and explained that the maturity estimated letter for policy A was incorrect and should have showed a total of £39,615.55. They confirmed the surrender values sent to Mr and Mrs E for both policies on 29 March 2022 were correct.

Phoenix also confirmed that the maturity value paid for policy B was correct but recognised the loss of expectation their error for policy A had caused. They offered Mr and Mrs E compensation amounting to £370 which acknowledged the trouble and upset caused, the time taken to resolve the complaint and the costs of phone calls they had made.

Mr and Mrs E were unhappy with Phoenix's outcome and referred the complaint to this service. One of our Investigators looked into their complaint. They concluded that Phoenix had made an error but they wouldn't expect Phoenix to pay the difference in the valuations

for policy A. They also felt Mr and Mrs E should have noticed the difference between the surrender value in March 2022 and the maturity value in April 2022 for policy A and queried this with Phoenix at the time. They felt the compensation offered to Mr and Mrs E fairly reflected their inconvenience for Phoenix's mistake, as well as for the address error.

Mr and Mrs E didn't accept the Investigator's findings and made the following points, in summary:

- In early 2022 Mr and Mrs E had a financial review with their advisor, who had asked them to get updated valuations for both policies so they could consider keeping them or not.
- They couldn't understand how they were blamed for not querying the information they received in March and April 2022 about policy A. They understood valuations could go up and down but aren't specialists in this area and couldn't relate to whether the figures were correct or not.
- Phoenix never contacted them until after the expiry of the policies to inform them that the valuation for policy A was incorrect.
- There had been a breach of their data under the Data Protection Act as they had sent the estimated maturity valuation for policy B to the incorrect address.
- Phoenix's offer doesn't adequately recompense them for the mistake. Had they been furnished with the correct estimated valuation for policy A at the time then they would have sought the surrender value for both policies and sought alternative critical illness cover from a different provider at the time. Mr and Mrs E expected premiums they had paid over the final year to be refunded to them.

The complaint was passed to me, and I issued a provisional decision in which I concluded Phoenix had made an error which caused Mr and Mrs E not to surrender their policy in 2022. I said:

*"I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of the complaint.*

*In doing so I've reached a different outcome to our Investigator and believe Phoenix should be doing more to resolve Mr and Mrs E's complaint. I'll explain why below.*

#### *Policy A's incorrect estimated maturity valuation*

*It isn't in dispute that Phoenix sent an incorrect estimated maturity valuation to Mr and Mrs E in April 2022, so I won't be revisiting this. Instead, I'll turn my focus to the impact this incorrect document had on Mr and Mrs E – and whether they would have done anything differently had it been correctly presented to them at the time they requested it.*

*The Investigator focussed on Mr and Mrs E receiving a surrender value for policy A around the same time they received the incorrect maturity valuation – and this should have been a moment Mr and Mrs E ought to have queried the figures with Phoenix. But I don't believe this would have been the case.*

*The surrender value and maturity value would be two separate calculations. The surrender value was effectively a snapshot of its value at anyone point in time – on this occasion being 29 March 2022. The surrender value letter is very brief in its content and doesn't give a breakdown as to how this amount has been calculated. The only information it gives beyond the surrender value is that if there are any unpaid premiums outstanding on the date of the*

actual surrender, then the final surrender value will be reduced accordingly. It also goes on to say the policy is due to mature on 23 June 2023 and the final premium due is on 23 May 2023.

In contrast, the estimated maturity valuation provided a breakdown for the sum assured, existing annual bonus, interim bonus and final bonus – as well as the estimated overall amount at maturity. It made clear that the final bonus is not guaranteed and the value is reviewed regularly. That being said, would Mr and Mrs E have known the quoted maturity value was incorrect. With the uncertainty of the final bonus, coupled with the brief content of the surrender letter I'm satisfied that it was reasonable for Mr and Mrs E to think it was possible the maturity value in a year could be significantly higher than the current surrender value, and so they wouldn't have had cause to question the documents they'd been sent.

Having listened to the call Mr and Mrs E had with Phoenix on 28 March 2022 it's clear they were after specific information to know what the policies were worth now (2022) versus what they would likely be at the point of maturity (2023). During the call Mr E asked for the letters to include information about whether the terminal bonus applies now or at the end. This request during the call does suggest Mr and Mrs E were considering all aspects of the policy – and whether it was still fit for purpose.

As Mr and Mrs E now live abroad they had weighed up whether to surrender the policies in 2022 against making significant withdrawals from their pensions over the next financial period. Understandably, this would have been a viable option for Mr and Mrs E, had they have been provided with the correct valuation for policy A at the time. So, on balance, I'm persuaded that it's more likely than not Mr and Mrs E would have chosen to have surrendered the two policies in 2022, rather than waiting until the policies matured. Mr and Mrs E only kept the policies because of the possibility of policy A giving them a lot more than they could have got surrendering it at the time. If they'd known the likely outcome was a similar payout to the surrender value, I think on balance they'd have surrendered both policies in 2022.

*Incorrect address for Mr E*

Again, it's not in dispute that Phoenix failed to update Mr E's address at the same time they did so for Mrs E in January 2021. Mr E said that as they didn't receive the estimated maturity valuation for policy B in April 2022, it must have been sent to an incorrect address. However, I haven't seen any information to suggest that was the case. I haven't seen this letter at all so I can only assume it was never produced.

The only letter I've seen sent to an old address of Mr E's was in May 2023 which was about contacting them if a maturity payment is urgently needed. I can see the letter was returned with the letter stamped as 'Gone Away' so I don't believe there has been a breach for this particular letter. In any case if there were other letters that were sent to an incorrect address for Mr E I haven't seen they've had an impact to Mr and Mrs E that warrants further compensation beyond the amount Phoenix have already offered in their final response letter.

So my provisional decision is that Phoenix needs to:

- Calculate the loss on Mr and Mrs E's premiums by refunding the premiums paid from April 2022 until the final payment in 2023. From each premium payment to be refunded Phoenix can deduct the amount of the premium that paid towards the cost of the critical illness element of the policy, as I think that's a reasonable estimation of the amount it would have cost Mr and Mrs E to source alternative critical illness cover elsewhere. Phoenix should add 8% simple interest on each net premium refund from the date it was paid until the date it settles the complaint.

- *Phoenix should then compare what Mr and Mrs E would have got surrendering the policies in 2022 (A) with what they did get in 2023 (B). Phoenix confirmed Mr and Mrs E took 38 days to return the necessary paperwork to them to complete the maturity payment, and I'm minded for Phoenix to use the same time period for this calculation. If B is greater than A then there's no loss. If A is greater than B then Phoenix should pay the difference, adding 8% simple interest from the day they received their maturity payment in 2023 until the date it settles the complaint.*
- *Mr and Mrs E were also deprived of the use of the surrender proceeds between 2022 and 2023. So Phoenix should also calculate and pay 8% simple interest on the surrender values in 2022, from the date they'd have received them until the date they received the maturity values in 2023.*
- *Pay Mr and Mrs E £370 compensation for the trouble and upset caused (which includes the costs of calls) if it hasn't already done so."*

I asked both parties to provide me with further submissions they had before I issued my decision.

Phoenix accepted my provisional decision.

Mr and Mrs E agreed with my findings but noted some concerns which they wanted to raise before I reached my conclusion on the case. They said, in summary:

- When they spoke to Phoenix on 4 May 2023 they had sent maturity letters to their previous address as Mr E's address hadn't been updated on their systems. They believe it's probable that further communications would have gone there as well. They note the only evidence seen by myself is a letter which was returned to sender, but the point is that delicate information was sent to the wrong address.
- The critical illness element of cover was only in Mr E's name.
- They are surprised that Phoenix have stated the process took 38 days to respond to the maturity of the policy. They believe some of the delay was from Phoenix as to what they would accept regarding the declaration where the Spanish solicitors would not agree as the UK is no longer part of the EU. They also believe Phoenix delayed the destination of the payment to their UK bank account. They said it took some time and they repeatedly chased them for agreement, therefore they believe I should bring forward the date that I thought they would have received the funds.

I reached out to Phoenix for their comments about the incorrect address and the maturity dates used. They confirmed:

- They located a second letter sent to Mr E's previous address dated 9 February 2022, which doesn't appear to have been returned to sender. The letter is regarding a direct debit collection.
- They received a letter (dated 22 May 2023) and requirements on 1 June 2023 requesting the payment be sent to Mr and Mrs E's UK bank account.
- On 12 June 2023 Phoenix wrote to Mr and Mrs E asking for a copy of the bank statement that they wanted to pay the maturity value to.
- The bank statement was received on 16 June 2023.
- Phoenix processed the maturity payment on 19 June 2023 for the monies to be released on 23 June 2023. The funds were cleared in Mr and Mrs E's bank account on 28 June 2023.

The complaint has now been passed back 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.

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of the complaint.

Having done so, I'm not minded to change my position as outlined in my provisional decision. I've explained why below.

#### *Incorrect address*

I've taken on board Mr and Mrs E's comments about the known letter sent to their previous address and reached out to Phoenix following this to check if there had been any further letters that they know of that weren't part of my provisional findings. I've attached a copy of the letter Phoenix refer to dated 9 February 2022 for Mr and Mrs E's records.

Phoenix also said that they wouldn't have updated Mr E's address until he contacted them on 4 May 2023. Phoenix's position is different to their final response dated 25 August 2023 where they agreed that the address for Mr and Mrs E should have been updated at the same time. I've considered Phoenix's recent comment, but I don't agree. On balance, I'm persuaded that when Mrs E changed her address in January 2021, the request would have been for both customers. So, this should have meant the two letters sent to Mr E's previous address shouldn't have been sent.

I appreciate Mr and Mrs E's comments about the letters containing delicate information but I haven't seen anything showing the letter dated 9 February 2022 has led to any misuse of his information. So I won't be recommending further compensation than already offered by Phoenix. If Mr and Mrs E have concerns about the letters sent to their previous address then they are free to raise this with the Information Commissioner's Office (ICO) who may be able to investigate a data protection complaint.

#### *Critical illness cover*

I'm aware the critical illness cover aspect of the policy was in Mr E's name only and this is now reflected in the putting things right section.

#### *Delays at maturity*

I've considered Mr and Mrs E's comments and Phoenix's reply about the maturity payment. And I appreciate Mr and Mrs E's difficulties encountered with the Spanish solicitor, but I don't agree this was a problem caused by Phoenix.

Given the timeline above, I'm not persuaded Phoenix have unnecessarily delayed the payment of the maturity amount and acted in a timely manner to obtain all the necessary information to pay the proceeds – including a copy of the UK bank statement. The use of foreign postal services has had a bearing on the delivery of letters from both Mr and Mrs E and Phoenix, which would have been inevitable. Therefore, I'm satisfied that the time between receiving the maturity paperwork to paying the proceeds was reasonable. So my recommendation for how compensation should be calculated is a fair approximation of the position Mr and Mrs E would have been in, but for Phoenix's error. I've better reflected the time taken in the maturity process within the putting things right section of my decision.

## **Putting things right**

So my decision is that Phoenix needs to:

- Calculate the loss on Mr and Mrs E's premiums by refunding the premiums paid from April 2022 until the final payment in 2023. From each premium payment to be refunded Phoenix can deduct the amount of the premium that paid towards the cost of the critical illness element of the policy, as I think that's a reasonable estimation of the amount it would have cost Mr E to source alternative critical illness cover elsewhere. Phoenix should add 8% simple interest on each net premium refund from the date it was paid until the date it settles the complaint.
- Phoenix should then compare what Mr and Mrs E would have got surrendering the policies in 2022 (A) with what they did get in 2023 (B). Phoenix confirmed Mr and Mrs E's maturity process took 38 days to complete from them receiving the initial documents, and I'm minded for Phoenix to use the same time period for this calculation. If B is greater than A then there's no loss. If A is greater than B then Phoenix should pay the difference, adding 8% simple interest from the day they received their maturity payment in 2023 until the date it settles the complaint.
- Mr and Mrs E were also deprived of the use of the surrender proceeds between 2022 and 2023. So Phoenix should also calculate and pay 8% simple interest on the surrender values in 2022, from the date they'd have received them until the date they received the maturity values in 2023.
- Pay Mr and Mrs E £370 compensation for the trouble and upset caused (which includes the costs of calls) if it hasn't already done so.

## **My final decision**

My final decision is that I uphold this complaint. Phoenix Life Limited must pay the compensation as I've outlined above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr and Mrs E to accept or reject my decision before 15 January 2026.

Andy Hurle  
**Ombudsman**