

The complaint

Mr H complains as a Trustee of the H Trust about the way Phoenix Life Limited has dealt with the payment of benefits under five life assurance policies. He says interest has been unfairly withheld that should have been paid out with the policies.

What happened

Between 1975 and 1984, Mr H's parents (Mr H1 and Mrs H) took out a number of joint life assurance policies. The policies were put in trust for the benefit of their children. The policies were set up to pay out on the death of the survivor. Sadly, Mr H1 passed away in October 2022, and Mrs H in January 2024.

Following his mother's passing, Mr H attempted to make a claim on the policies. Phoenix responded to say the policies were placed under trust and Mrs H was the only trustee at the time of her death, so it would need a Grant of Probate to be obtained to confirm who was the legal representative that could act as the trustee. Mr H obtained this and submitted the claim forms in early June as the representative of the trust.

In late June 2024, the policies were paid out. The payment schedule confirmed the sums assured that were paid for each policy – and that late payment interest had also been calculated and paid from 30 days after Mrs H's death (i.e. from 27 February 2024 to date of settlement, 21 June 2024).

Following this, Mr H queried the interest paid. Phoenix responded to say the interest paid was correct. It said under the Association of British Insurers (ABI) guidance, late payment interest becomes payable on a claim after two months from the date of the claim – but its company policy is to pay late payment interest from 30 days after the claim event. As Mr H didn't accept this explanation, he raised a complaint with Phoenix about its handling of the pay out of the policies. He was unhappy that interest had not been paid for the first 30 days following Mrs H's passing.

Phoenix responded. It didn't uphold the complaint point about payment of interest, but did pay Mr H £100 in recognition of the inconvenience caused by its handling of the concerns. In summary it said it will only apply late payment interest during bereavement claim journeys, after 30 days regardless of a delay from itself, the business or the claimant.

Mr H accepted the compensation for the handling of his queries, but didn't agree with the explanation given in respect of the withheld interest, so referred the complaint to this service for an independent review.

One of our investigators looked into the complaint – they didn't think it should be upheld. In summary they said:

- They independently reviewed the relevant ABI guidelines and believe that Phoenix's interpretation and application of this guidance is accurate – and supports the rationale behind its internal policy to pay interest after 30 days of a claim event.
- Phoenix internal procedures demonstrate a clear and consistently applied process

across similar claims. It has confirmed for all policies, unless Terms and Conditions are more generous, interest should be payable on a claim from 30 calendar days after the happening of the insured event (i.e. date of death).

- They were satisfied Phoenix acted in line with its process and there's no indication this has led to an unfair outcome.

Mr H responded to say he didn't accept the outcome, and requested an ombudsman reach a decision on the complaint.

In summary he said:

- It is not in dispute that Phoenix acted in accordance with its own internal policy and this was in line with ABI guidelines. The key to this matter is that the ABI guidelines prompted an amendment to Phoenix's policy and that the change to this policy created an adverse outcome for the beneficiaries of these life policies, which had not been envisaged in the original policy documents.
- It is contended that the policy documents constituted what amounted to contracts and that the contracts made no provision for the non-payment of interest after the maturity of the policies in the event that a delay should arise concerning post maturity payment. In practice the contracts were changed unilaterally in favour of one of the parties and to the detriment of the other without consultation with the other party, and this occurred at a point after the contracts had been entered into.
- Behaviour of this type is contrary to contract law and cannot be justified either by adherence to internal policy guidelines or by adherence to advice provided by the ABI guidelines, neither of which have standing which enables them to override existing contract law.

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 crux of this complaint relates to whether Phoenix was acting unfairly by not paying interest on the policy proceeds for the first 30 days from a claim event.

Mr H maintains that interest on the policy proceeds should be paid from the date of Mrs H's passing, and it should not withhold any interest.

Phoenix says its policy is to only pay interest after 30 days of a claim event, and it says this takes into account existing industry guidance issued by the ABI.

I've considered the specific circumstances of the claims that were made on the policies subject to this complaint. I haven't identified that Phoenix was responsible for any significant avoidable delays that contributed to the claims not being paid within the first 30 days of the claim event. The evidence indicates that as the policies were held in trust, and there was no surviving trustee to make the claim, a grant of probate was required to establish who could legally represent the trust. Mr H was able to provide this information, but it took several months for him to obtain it. When Phoenix received this confirmation, it processed the claim in a timely manner and also added interest (from 30 days from claim event). So it does appear that the claim process would always have likely taken more than 30 days due to the requirement for confirmation of who could legally represent the trust – but I don't find Phoenix at fault for causing a delay here.

Phoenix says it doesn't have a copy of the original policy terms for the policies. It is unfortunate that this cannot be provided as this would have allowed me to have a clearer

understanding of whether there was a clause relating to how interest would be paid in the event of a claim. But I do acknowledge that these policies were taken out around 50 years ago and Phoenix wasn't the original policy provider. So I find this is a factor in why full details aren't available. Mr H has provided copies of the documentation that has been retained by the trust relating to the policies. This includes the policy schedules. Having reviewed this evidence, I haven't found any information that confirms when interest will be applied to claim payments. So, I haven't found evidence to show there was a contractual requirement to pay interest on claims from a specific date (or at a specific rate).

Phoenix has referred to guidance issued by the ABI – which says:

“When the payment of a claim is delayed more than two months, the insurer will pay interest on the cash sum due, or make an equivalent adjustment to the sum, unless the amount of such interest would be trivial. The two month period will run from the date of the happening of the insured event (i.e. death or maturity) or, in the case of a unit linked policy, from the date on which the unit linking ceased, if later. Interest will be calculated at a relevant market rate from the end of the two month period until the actual date of payment.”

Phoenix has made a decision to pay interest sooner than after two months of delay – and in the instance of the claims on these policies this meant interest was paid after 30 days of the claim event to the date until it made settlement. In my view, this was a fair approach for it to take, and I think it applied the ABI guidance in a reasonable way. This means then that I find Phoenix settled the claim fairly.

I've considered Mr H's comments about Phoenix having a contractual responsibility to pay interest from an earlier point. He has argued there was no provision for the non-payment of interest after the maturity of the policies if a delay should arise concerning post maturity payment. While, Mr H has taken the position that interest would always be paid from the claim event, for the reasons explained above, I haven't seen that there was any specific agreement of when delayed claim interest would be paid from.

I also acknowledge the points Mr H makes about Phoenix enacting a change unilaterally in favour of one of the parties and to the detriment of the other without consultation with the other party. For the same reasons I've given above, I haven't seen evidence that Phoenix has changed contractual terms agreed when the policies commenced. Rather, my finding is that it has fairly applied an approach to pay interest on claims that are delayed, and doing so has taken into account relevant guidance issued by the ABI when agreeing to pay interest.

I understand Mr H will be disappointed with my decision, but I haven't found reason to say Phoenix has acted unfairly in the approach it has taken when paying delayed payment interest on these policies.

My final decision

I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H as Trustee of the H Trust to accept or reject my decision before 2 October 2025.

Daniel Little
Ombudsman