

The complaint

Mrs P complains about Phoenix Life CA Limited's handling of the claims against her late husband, Mr D's, policies.

This specific complaint is made in her capacity as beneficiary of one of the policies. She's also made a complaint in her role as administrator for the estate. I've dealt with that under separate cover.

The business responsible for dealing with this complaint was previously registered under the name of Sun Life Assurance Company of Canada (U.K.) Limited. So that's the entity Mrs P will be more familiar with. However, throughout this decision, I'll refer to the correct current registered name of Phoenix Life CA Limited (Phoenix).

What happened

The events leading to this complaint are well known to both parties. So, I don't intend to refer to everything that happened. Instead, I'll mention key events to provide relevant context.

Mr D held three separate policies with Phoenix. He sadly died on 29 October 2020. He was aged 62.

Phoenix's initial communications suggested that Mrs P was the beneficiary on two policies. It later corrected this misunderstanding – only one policy with a value of £84,592.97 was payable to Mrs P as the beneficiary.

Mrs P appointed a firm of solicitors (I'll refer to them as R) to settle matters on her behalf. R notified Phoenix of Mr D's death on or around 6 November 2020.

In a letter to R dated 10 November 2020, Phoenix set out the information it needed to settle claims against the policies.

Phoenix received some information in March 2021. But there were then delays with the supply of the outstanding information, despite it making some attempts to chase things up.

Around February 2022, Mrs P apparently became aware that following some intervention by the Solicitors Regulation Authority (SRA), R was no longer involved in the administration of Mr D's estate. That seems to account for the delays in further information being provided.

Mrs P then appointed W, another solicitors' firm, to take over matters. In a letter dated 5 September 2022, W told Phoenix that it was helping with the administration of Mr D's estate. It asked Phoenix for information surrounding Mr D's policies and supplied a certified copy of his death certificate. It seems Phoenix received the letter a week or so later.

Phoenix contacted Mrs P on or around 5 October 2022 to let her know it had been approached by W. Mrs P gave her authority for contact to be made directly with W. Phoenix then wrote to W on 12 October 2022 to ask for more information, including a death claim settlement form and Mrs P's bank statements.

W wrote to Phoenix on 2 November 2022 enclosing the information needed to settle the claim.

W chased Phoenix during January 2023 regarding settlement of the claims.

Phoenix initially said around March 2023 (after Mrs P contacted it) that it had paid out funds in respect of two of the policies. It transpired that those payments hadn't actually been processed.

In late March 2023, Phoenix told Mrs P that as the claims had now been ongoing for over two years, it would need to deduct tax when making payments.

A formal complaint was lodged.

In May 2023 Phoenix sent a further request for information, including a death claim settlement form.

On 25 May 2023, Phoenix responded to the complaint. It accepted it had caused unreasonable delays at a time that was already difficult for Mr D's family. Notwithstanding that it hadn't received responses to its early requests for information in November 2020 – despite chasing - it accepted, having been contacted by W on 12 September 2022, that it took until 12 October 2022 for it to explain what information was outstanding in order to pay the claims. Phoenix noted it received the final information it needed in respect of the policy on 2 November 2022. And it said that had it not been for its delays in requesting the final information, it could realistically have settled the claim by 19 October 2022. To recognise its delay, it said it would add interest to the payment. It also agreed to pay Mrs P £300 compensation in respect of the trouble and upset caused by its overall delays.

On 26 June 2023, Phoenix settled the claim in respect of this policy as follows:

Plan	Claim value	Tax deducted	Interest paid	Total paid
1	£84,592.97	£36,341.46	£2,418.68	£50,670.19

Dissatisfied with Phoenix's actions, Mrs P first wrote to the Financial Ombudsman Service in August 2023 (we received her letter in early September 2023). She said Phoenix's handling of the claims had caused her considerable financial and emotional distress for more than two years. As far as Mrs P was concerned, if Phoenix had settled the claims within two years, she wouldn't have been required to pay tax. So, she expected Phoenix to compensate her for her losses.

One of our Investigators considered the complaint, but he didn't think Phoenix needed to take any further action. In short, he didn't think the majority of the two-year delay in paying the claim was down to Phoenix, so he didn't think it was fair to hold it responsible for the tax that became due. And in all likelihood, he felt the two-year deadline for settling the claim would likely have been missed anyway. As Phoenix had paid simple interest of 8% and £300 compensation to recognise the inconvenience Mrs P suffered due to its delays, the Investigator didn't think it needed to do anything more.

Mrs P didn't accept the Investigator's opinion. She asked an Ombudsman to consider the complaint afresh. In doing so, she reiterated that Phoenix was responsible for unacceptable delays, misinformation and general poor handling of the matter. The complaint has been passed to me to decide.

My provisional decision

I sent Mrs P and Phoenix my provisional decision on 18 July 2025. I've included the relevant extracts below:

"I understand Mrs P's strength of feeling about the events leading to this complaint. And I imagine that at a time when things were already difficult for her following the death of her husband, things were likely made worse by the delays and issues she encountered when trying to access the benefits from his policies. Mrs P is adamant that Phoenix could have paid her claim, as a beneficiary, much sooner.

As far as I can tell, only one policy (which I've referred to as policy one) was actually payable to Mrs P as the beneficiary. The other two were payable to the estate. However, I don't think Mrs P's understanding of the situation was helped by some of Phoenix's early communications. It indicated that two of the policies were payable to Mrs P as the beneficiary and one to the estate. And it didn't correct that misunderstanding until much later on. In those circumstances, I can appreciate why Mrs P might initially have felt that two of the claims should have been settled much earlier on. As far as she was concerned, they weren't affected by the granting of letters of administration, which had delayed settling the claims against the policies payable to the estate.

I'm satisfied that Phoenix was required to request information in order to settle the claims against each of the policies. And, as Phoenix itself accepts that it would likely have been able to settle the claim against policy one sooner (and pay the proceeds to Mrs P as the beneficiary), I don't think it's necessary for me to say too much about that. Save to say that I agree there were delays on Phoenix's part when W contacted it around September/October 2022. And based on what I've seen, it does seem likely that Phoenix would have been able to settle that particular claim by 19 October 2022 as it has indicated.

I note that Phoenix added late payment interest of £2,418.68 to the payment it made to Mrs P. And whilst a reasonable step to take, I'm not persuaded its actions go far enough here in recognising Mrs P's potential losses. I say that for the following reasons:

Mr D was age 62 when he sadly died. If the policyholder is below the age of 75 when they die, death benefits are generally paid tax-free if the claim is settled within two years of the scheme administrator being notified of the policyholder's death. Therefore, one of the implications of an excessive delay is that income tax may become due when that may not otherwise have been the case. And, as I'll outline, I think that's what happened here.

I'm satisfied that Phoenix wasn't responsible for the delays prior to W taking over matters around September/October 2022. But as Phoenix itself accepts, had it not delayed its contact with Mrs P and its subsequent requests for information, it ought to have been able to settle the claim by 19 October 2022. Had that happened, it would have been within two years of Phoenix being notified of Mr D's death in early November 2020 (the death occurred on 29 October 2020). It seems likely therefore that Mrs P wouldn't have incurred income tax. And, as I'm satisfied that Phoenix was responsible for the delays which prevented the claim being settled within a two-year period, it follows that I think it's responsible for Mrs P having to pay income tax. I've set out below what I'm intending to direct Phoenix to do about that now.

I've also thought about whether Phoenix needs to do anything else to put things right. As I've mentioned, it has paid late payment interest in an effort to recognise other delays and the fact it held onto the policy funds for longer than was expected. Subject to what I also say below, that seems a reasonable step to take which recognises part of the delay and the fact that Mrs P was without some of the funds she was entitled to for a prolonged period of time.

It also paid £300 compensation to reflect the inconvenience Mrs P suffered in relation to its handling of the claim. And whilst I'm satisfied that payment goes some of the way towards recognising Mrs P's inconvenience and frustration, I'm not persuaded it goes far enough. As I said earlier, there was some early contradictions on Phoenix's part about which policies were payable to the estate, and which were payable to Mrs P directly. That undoubtedly caused confusion.

On top of that, Phoenix then told Mrs P, in March 2023, that it had paid the benefits from the policies when that wasn't correct. I imagine that particular communication caused Mrs P some worry. Further, it still took Phoenix another eight months to actually pay the claim against this policy from the earliest point at which it ought to have been able to do so. Whilst Phoenix's late interest payment recognises the actual delay, I have to bear in mind the additional distress this would have caused Mrs P. During that time, Mrs P was without the funds and she's explained that caused her considerable financial distress – for instance, she was unable to complete essential maintenance in her house. Taking those additional factors into account, I'm intending to direct Phoenix to pay Mrs P a further £150 to reflect the overall inconvenience and frustration she suffered. That's in addition to the other steps I've set out below, which are intended to recognise the financial loss that Mrs P likely suffered.

Putting things right

My intention in setting out the steps below is to put Mrs P back into the position she would have been in – or as close to that position as possible – had it not been for Phoenix's delays when settling the claim against this policy. I'm satisfied that what I've set out below is a reasonable approach in this particular case.

Phoenix paid Mrs P £50,670.19 after tax in June 2023. It also paid £2,418.68 in interest because that payment was made late. Again, had it not been for the delays I set out earlier, Mrs P would likely have received £84,592.97 by 19 October 2022. So, I'm intending to say that Phoenix now needs to take the following additional steps:

Step 1 - Pay Mrs P an amount equivalent to the tax that she paid (minus any amounts she's been able to reclaim directly from HMRC - subject to Mrs P providing evidence of this).

- Step 2 – Pay 8% interest on the amount calculated in step one above from 19 October 2022 when the claim would have been settled to the date of my final decision. I'm satisfied that paying this amount fairly recognises that Mrs P has been without the use of that additional amount for a considerable period of time.*

Phoenix should also pay Mrs P an additional £150 in compensation (making £450 in total) in recognition of the issues that caused further frustration as I've outlined above".

Responses to my provisional decision

Phoenix accepted my provisional decision without making any further comments.

Mrs P initially responded to say that this complaint was about Phoenix's poor handling of the two policies that she believed were payable directly to her. She suggested that settlement of a third policy only (which is referenced in a separate decision I've made under a different reference number) was affected by the late granting of letters of administration.

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.

Notwithstanding Mrs P's previous comments to this Service that she'd suffered personal losses of £36,341.36 (and the estate a combined loss of £28,538.02 from two policies) Mrs P's brief comments on receipt of my provisional decision appeared to suggest that two policies, not one, were payable directly to her as the beneficiary. It wasn't clear to me whether Mrs P's belief stemmed from the initial incorrect information Phoenix had previously given her – even though it had corrected that misunderstanding more recently.

In any event, it might be helpful to explain that before I issued my provisional decision, I asked Phoenix further questions about the policies and whether Mr D completed beneficiary forms before he died. Although Phoenix didn't respond until after I'd issued my provisional decision, its response generally reflected the provisional conclusions I'd already reached.

Part of the reason for asking further questions was to ensure that Phoenix had thought carefully about which policies could be paid directly to Mrs P as a beneficiary. However, in response, it confirmed that Mr D hadn't completed beneficiary forms in relation to policies 2 and 3, which was why it took the decision to pay the proceeds to the estate. And, in turn, that was why only one policy (which is the subject of this decision) was payable to Mrs P directly. I haven't seen any evidence to suggest otherwise, so in that respect I find Phoenix's response reasonable.

Mrs P hasn't provided me with any further evidence or additional comments (other than those I've noted above) to show why she believes that two policies were directly payable to her after all. That's despite being given a final opportunity to do so.

In these circumstances, after careful consideration, I find Phoenix's explanation more persuasive. And as neither it nor Mrs P has given me any new evidence or comments to consider (and Phoenix has accepted my provisional decision in full), I see no reason to change what I said in my provisional decision.

I therefore uphold this complaint and direct Phoenix Life CA Limited to take the action set out in my provisional decision and under the heading of 'Putting Things Right' above.

My final decision

I uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs P to accept or reject my decision before 25 September 2025.

Amanda Scott
Ombudsman