DRN-5805415

The complaint

Mr S' complaint is about a mortgage endowment policy he had with Zurich Assurance Ltd. He is unhappy with the amount he received when he surrendered the endowment policy and with the information and service he received from Zurich in April 2025 when he was concerned about the reduction in value of his policy and had to decide whether to surrender it or not.

Mr S' policy was taken out with another life assurance company and later transferred to Zurich. As Zurich is now responsible for the policy I will refer to it throughout.

What happened

In 2000 Mr S took out his mortgage endowment policy. It provided life and disability cover of £45,350 and was targeted to have a maturity value of the same amount. The policy term was 25 years and so it was due to mature on 1 May 2025.

The special provisions of the policy set out that once the policy had been in place for ten years, a bonus would be payable on maturity or surrender. The bonus would be '*equivalent to 0.5% of the fund value for every complete year the plan is in force.*'

Section 7 of the terms and conditions also provides details of the term related bonus. It states:

'(a) *Subject to (d) below, at each Plan Anniversary during the Plan Term each Contribution Slice … will qualify for additional units "Bonus Units") at a percentage rate known as the "Bonus Rate".*'

(d) detailed that bonus units will only be allocated if the policy is in force for a minimum of ten years, and all premiums have been paid.

On 11 January 2025 Zurich wrote to Mr S to remind him that the policy would be maturing on 1 May 2025. It explained that at that time the value of the policy was £42,566.66, but that this was not guaranteed as changes in the unit value would alter the final value of the policy. Zurich set out what was needed in order for the maturity value to be claimed by Mr S.

On 4 April 2025 Zurich called Mr S at his request. He expressed concerns about a drop in the policy value. He wanted to know what his options were, including whether he could freeze the policy. Zurich confirmed that the only options were to maintain the policy or surrender it. It was also incorrectly confirmed that if the policy was surrendered it would still be eligible for the full maturity bonus.

Mr S spoke to Zurich again on 7 April 2025. The conversation again came about because of the recent drop in the value of the endowment policy. Mr S asked questions about what options might be available to him – switching funds, freezing the policy, surrender, doing nothing and hoping for an improvement in the value. Mr S also checked that he would receive the full maturity bonus if he surrendered the policy early. The error from the previous conversation was corrected – he was told he would not receive the full bonus as the policy would not have run the full term. It was also explained to Mr S that the value he would receive would depend on when he asked to surrender the policy. If he did so before 12pm that day, he would receive a value based on the unit value established at the end of that working day. If he asked to surrender after 12pm, he would receive a surrender value based on the policy value at the end of the following day.

Mr S was also told that the fund value he could see on the portal, and that the call handler could provide at that time, was based on the unit value from the previous Friday - 4 April 2025. Mr S said that he had decided before the call, based on what the financial markets had done since, that he wanted to surrender the policy and he confirmed after the conversation, that he still wanted to. Mr S also asked if he could change his mind – he was told there was no option to reinstate the policy once the surrender process had been requested. Mr S again confirmed he wanted to go ahead with the surrender.

Mr S has screen shots of the information contained on Zurich's portal about his policy. The information dated 7 April 2025 showed that the policy had a value of £41,062.87 based on the unit price on 4 April 2025. The information for the following day showed a value of £39,961.00 based on the unit value of 7 April 2025.

Mr S set out his complaint to Zurich in an email of 24 April 2025. Zurich responded on 13 May 2025. It set out the details of the conversation Mr S and its call handler had about the surrender and how that would affect the value he would receive. It also said that Mr S was told that if he surrendered the policy early, he would not receive the full maturity bonus. As such, Zurich was satisfied that Mr S was provided correct information and made an informed decision to surrender the endowment policy.

In relation to the value of the policy shown on the portal and its systems, Zurich explained that the values available were based on the previous day's unit prices, which were determined at the end of each day. As for the service standard of ten days for provision of a response to ad-hoc information requests, Zurich set out why it had this service standard and that it was in order to ensure that it was treating all of its customers fairly. Zurich apologised for the incorrect information Mr S was given about the bonus and paid him £100 for the trouble and upset that caused him.

Mr S was not satisfied with the response he received and referred his complaint to this Service. One of our Investigators considered the complaint. He didn't recommend that it be upheld and was satisfied that the compensation Zurich had paid Mr S was reasonable, given the mistake it had made.

Mr S didn't accept the Investigator's conclusions. He said that the information he had been given in the telephone conversation of 7 April 2025 was not good enough for him to be able to make the correct decision and he felt he had been unfairly treated. He said that he had found the telephone call '*very misleading and confusing resulting in an unfair payout outcome.*' As such, the £100 compensation was insufficient.

The Investigator considered what Mr S had said, but he didn't change his conclusions. Mr S remained unhappy and asked that the complaint be referred to an Ombudsman.

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 would firstly confirm that funds such as the one Mr S' policy invested in are generally valued at the end of each working day. So the value of a policy on any particular date can't be known until the end of that day – it will be calculated based on the unit holding and the unit value at the end of that day.

So when Mr S accessed his endowment policy value via the portal on 7 and 8 April 2025, the value detailed was that as at the end of the previous working day. This was confirmed on the screenshots Mr S provided us with – the one from 7 April 2025 confirmed it was the value on 4 April 2025 and the value he obtained from the portal on 8 April was that for 7 April 2025. This was explained to Mr S in his call on 7 April 2025. He was clearly told that he wouldn't be receiving the figure he'd been given that day – that the amount he would receive would be based on the value of the policy established at the end of that day, which would be subject to another day of fluctuation in the financial markets.

Mr S has said that he felt pressure to decide whether to surrender the policy and that he had to do so without all the information he needed, due to Zurich's service standard for provision of information of 10 working days. What information a policyholder wants will determine how long it will take to provide. The more complex the enquiry, the longer it will take to respond to. All businesses will have service standards for doing various things, for example it is common that there is a five-day service standard for surrender requests to be processed. The length of the service standard will depend on the business' experience of dealing with such requests. I know that Mr S wanted the information he asked for urgently, but it wasn't wrong for Zurich to deal with non-standard requests in the order they were received. In this case, that meant that it took more than a week for the information to be sent to Mr S, which was after he'd made his decision to surrender. If Mr S had felt he needed that information to be able to make an informed decision, he could have chosen to wait for it.

As for the maturity or end of term bonus, the special conditions state that it is payable for each full year the plan is in force. This means that in order for Mr S to receive the bonus for the final policy year, the policy would have needed to be in force at the end of that year. It was not, as he surrendered it early. I know that Mr S thinks this is unfair as he had paid all of the premiums and he felt he had little choice but to surrender if he didn't want to risk the policy value decreasing further. I can understand why Mr S feels this way, but I can't find that Zurich was wrong to apply the terms and conditions as it did.

In relation to the lack of cancellation rights for the surrender, I acknowledge that this is something Mr S would have liked, so that if the policy value seemed to be recovering, he could leave it invested. However, that's simply not something that Zurich or other life assurance companies offer, and they don't have to. I would also highlight that Zurich checked with Mr S if he was sure that he wanted to surrender the policy before it started the surrender process because it could not be stopped. If he'd had any doubts, he could have said no and started the surrender process at a different time.

I note that Mr S has said that he could still see his policy on the portal for several days after he asked to surrender it. The call handler on 7 April 2025 did say that Mr S might be able to see the value of the policy after the request, as the availability of information about it was dependent on when the surrender was processed. Given that Mr S was told this and knew that he had instructed the policy be surrendered, I don't think that the policy not being removed from the portal immediately following the surrender request was of any detriment to him or would have caused any confusion.

Mr S has said that he found the telephone call of 7 April '*very misleading and confusing*'. I have listened to this call, and I am satisfied that how the maturity value of the policy was calculated was explained clearly, including the maturity bonus Mr S would receive. I am also satisfied that when Mr S voiced misunderstandings about the subject, he was corrected and the right information reinforced. That said, Zurich has acknowledged that Mr S had been given incorrect information in an earlier conversation. It paid Mr S £100 compensation for the upset and inconvenience this may have caused him. Having carefully considered the matter, I am satisfied that sum was appropriate and proportionate in the circumstances.

My final decision

My final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I am required to ask Mr S to accept or reject my decision before 24 October 2025.

Derry Baxter
Ombudsman