

The complaint

Mr N complains about the maturity value Phoenix Life CA Limited trading as Sun Life Financial of Canada ("Sun Life") paid him for his with-profits endowment policy, as he feels the bonuses applied are not in line with what he was told when he was sold the policy.

What happened

The endowment policy began in 1982 and was originally set up with a 41-year term, a sum assured of £7,000 and premiums of £16.70 monthly. In June 1983, the sum assured was reduced to £4,100 and the premiums to £10 per month. It matured in October 2023 and paid £20,453.73, comprised of the endowment benefit of £4,100, annual bonuses of £5,197.15 and a terminal bonus of £11,156.58.

Mr N complained, as he remembered being told at the sale that he'd receive £30,000 on maturity and said Sun Life has changed the way they apply the terminal bonus and smoothing. He pointed out that Sun Life now use the term "terminal bonus", compared to the terminology of "reversionary bonuses and [a bonus] at the end" that he remembers from 1982, to support his argument that they've changed the bonus structure to his detriment.

He said that in 1982 the policy was sold in anticipation of him taking out a mortgage later in life, to allow him to start saving toward paying that off. He was also unhappy the maturity value had been paid to him, because he had rejected it until they paid the full £30,000. Sun Life didn't uphold his complaint, explaining that in 1982 they were only applying annual bonuses and terminal bonuses began in 1985. They said the policy was suitable for his circumstances at the sale and the maturity payment was correct. Mr N remained unhappy and brought his complaint to our service.

An investigator at our service considered the complaint and found that Sun Life had not done anything wrong. He found that he didn't have enough evidence to say Sun Life had misled Mr N about the maturity value at the sale, or that they needed to pay more. Mr N explained that he feels the introduction of the final bonus changed the structure and he remembers asking Sun Life about it but was reassured that the change would make no difference to the eventual maturity value. The investigator wasn't persuaded to change his mind and as no agreement could be reached, the complaint has been passed 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.

Having done so I've reached the same conclusion as the investigator for broadly the same reasons. I've started by considering what happened in 1982 and 1983. I can see Mr N has strong recollections that he was told the maturity value would be £30,000. It's not unusual that during a sale conversation, an adviser might talk about the potential returns a policy could achieve over time, so it's possible that a maturity figure of £30,000 may have been discussed. However, that isn't to say it was guaranteed – or that Sun Life would have done something wrong by discussing the potential growth of the endowment policy. What I need to

consider is whether there is enough evidence to prove, on the balance of probabilities, that Mr N was misled about the policy.

To decide that, I must weigh up Mr N's recollections of events against the paperwork governing his policy. The application form, policy schedule and the terms and conditions documents are the main documents that set out the agreement between the parties to an endowment, including the amount Sun Life promised to pay. In the application form signed on 21 October 1982, the only guaranteed amount payable was a £7,000 death benefit and the same endowment benefit. That form didn't set out any other projected maturity values at the end of the term. Similarly in 1983 when Mr N reduced the sum assured, the document he signed only included the amount of £4,100.

The terms and conditions of the policy state ***"Endowment and Death Benefits The benefits payable on the Endowment Date or on death will be as shown in the schedule... Bonuses Any bonuses will be allotted annually"***.

I don't have the policy schedule from 1982 or 1983 so I've considered what it would likely have said about the maturity value. I have a typed 'Summary of application' document from 1982, confirming the endowment amount of £7,000. The statements over the years (after the sum assured reduced) are clear about the guaranteed amount of £4,100. Given the consistency in those documents, I find it likely that the policy schedule will have reflected the amounts set out in the application form, and wouldn't have promised that a higher amount would be payable on maturity.

So overall I'm not persuaded that Mr N was misled about the guaranteed amount that would be paid at the sale of this policy. I accept there may have been a conversation about the potential returns that might be achieved – but this is not unusual, and it doesn't mean Sun Life now has to pay that higher amount.

Mr N has not raised any concerns about the term of the policy, or its affordability. He's mentioned that he later used the policy as a repayment vehicle for a mortgage – but that mortgage wasn't in place in 1982 or 1983. So, the adviser couldn't have reasonably been expected to comment on the suitability of this policy, and particularly its possible maturity value, in relation to a mortgage. Overall, I'm satisfied the policy wasn't mis-sold to Mr N.

I've gone on to consider the bonuses added to the policy and whether it's been run in line with the way set out in the terms. I can see that in total Mr N has paid around £5,000 into the policy. Sun Life guaranteed to pay £4,100 minimum, plus bonuses. As quoted above, the terms promised annual bonuses would be paid and there's no mention of a terminal bonus applying, in line with Sun Life's explanation that terminal bonuses were introduced later.

I've considered whether that introduction of a terminal bonus has likely caused Mr N any detriment and overall, I'm not convinced it has and will explain why. Due to the effect of smoothing, in my view it's possible that the introduction of the terminal bonus in 1985 could have meant that the annual bonuses applied were lower after that point, with the aim that it would then be accounted for in the terminal bonus.

Between 1982 and 2003 the total of the annual bonuses added to the plan was £4,842.71, though I don't have an annual breakdown. The total of the annual bonuses from 2004 to 2023 was £354.44. It's clear that Sun Life were paying higher annual bonuses in the first 21 years of the policy, than they paid later. The statements from 2004 onwards show the following information about the annual bonuses and how much would be paid if the policy were surrendered or if a claim were made on each anniversary:

Year	Annual bonus	Terminal bonus on surrender	Terminal bonus on death	Surrender value	Death claim value
2004	£24.21	£160.42	£1,793.38	£3,368.74	£10,760.30
2005	£24.33	£219.89	£2,112.94	£3,962.68	£11,104.19
2006	£24.46	£1,020.45	£2,794.87	£5,409.50	£11,810.58
2007	£45.08	£1,346.46	£3,171.28	£6,155.26	£12,232.07
2008	£45.30	£680.84	£2,458.64	£5,724.09	£11,564.73
2009	£12.52	£475.59	£1,367.79	£5,759.93	£10,486.40
2010	£12.55	£623.30	£1,369.67	£6,238.64	£10,500.83
2011	£12.58	£703.71	£1,280.12	£6,548.48	£10,423.86
2012	£12.61	£799.16	£1,922.83	£7,141.71	£11,079.18
2013	£12.64	£998.25	£2,108.87	£7,574.34	£11,277.86
2014	£12.67	£1,316.77	£2,570.86	£8,132.36	£11,752.52
2015	£12.70	£2,065.43	£3,585.80	£9,126.73	£12,780.16
2016	£12.74	£2,948.81	£4,419.41	£10,262.33	£13,626.51
2017	£12.77	£3,490.42	£4,609.94	£11,246.90	£13,829.81
2018	£12.80	£5,518.29	£6,370.54	£13,515.80	£15,603.21
2019	£12.83	£6,100.72	£6,841.67	£14,344.95	£16,087.17
2020	£12.86	£6,459.94	£6,758.60	£15,309.17	£16,016.96
2021	£12.90	£8,996.75	£9,271.23	£14,844.64	£15,297.58
2022	£12.93	£8,859.92	£9,191.35	£17,809.33	£18,475.54
2023	£12.96				

In my view, those statements would have given Mr N a clear picture that the bonuses were variable – though admittedly they didn't give any projections to the maturity value.

I can see that Mr N has pointed to the commercial performance of Sun Life as a company, to argue that his bonuses ought to have been higher. However, his bonuses are not linked to the company's overall performance and are instead linked to the performance of the fund his premiums are invested in. That's illustrated by the decrease in bonuses after 2008 which reflects what was happening in the financial markets at the time, as shown above.

It's the managers of the fund who decide the level of bonuses to pay investors, taking into account various factors, and the primary consideration is usually the performance of the assets in the fund. In the recent annual statements, Sun Life detailed the assets and set out their performance. In 2022 Sun Life detailed the performance of the fund since 2016, and said it had achieved the following annual net returns, after tax and expenses:

2016	2017	2018	2019	2020	2021
9.1%	7.4%	-0.4%	9.0%	4.5%	2.9%

It's clear that the fund managers weren't sharing all the profits made each year, given the annual bonuses added to Mr N's policy were just over £12 per year over that same period. This is the impact of smoothing that the fund managers apply, to allow them to keep some profits to be able to pay bonuses in less well performing years. This is reflected in the fact Mr N still received a bonus in 2018 and 2019, despite the negative return in 2018.

Generally, the amount of bonus to award is at the discretion of the fund manager, because they apply their professional opinions on the future potential performance of the fund in order to decide how to apply smoothing. They do still have obligations towards customers and

must consider the various rules, regulations and guidance when doing so – in particular the rules and guidance set out in Chapter 20 of the Conduct of Business Sourcebook, which is part of the Financial Conduct Authority's Handbook.

With-profit product providers are expected to produce a document called 'Principles and Practices of Financial Management' which explains their approach to managing the fund, including bonuses and smoothing. Under the rules as they are now, that approach is allowed to change and managers have always had a wide discretion when it comes to with-profit policies. Having considered the amount they've paid Mr N under his policy, I've seen no evidence to persuade me Sun Life has not taken into account the rules that apply.

The discretion given to with-profit fund managers, is the reason I wouldn't be able to conclude that Mr N's been treated unfairly by any change to Sun Life's approach to bonus payments. I've also not seen any evidence that he would have been paid more overall, had only annual bonuses been paid at a higher rate, and no final bonuses. That's because it's based on the underlying performance of assets in the fund, and the manager's discretion.

Overall, I've seen nothing that causes me to find that Sun Life has paid Mr N an unfair or unreasonable amount in return for his investment in the policy. I appreciate Mr N is disappointed with the performance after such a long time of paying into it. I consider that is likely due to the investment performance was lower over the later years of the policy than originally anticipated. That is a reflection of the returns in the wider financial markets, which have been much lower since 2000, compared to 20 years prior.

Lastly, I wanted to address Mr N's comments that he feels he shouldn't have been paid the maturity value until it was an amount he was happy with. Sun Life were under a contractual duty to pay him the maturity value and in order to treat him fairly, I'd have expected them to pay him it promptly, so he could use it as he wished. The payment didn't prevent him complaining, I consider it reasonable that Sun Life sent it to him, despite his protests.

In summary, I find that Mr N wasn't misled about this policy when it was sold to him, and Sun Life do not need to pay him anything further in relation to the maturity value of the policy.

My final decision

For the reasons set out above, I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr N to accept or reject my decision before 28 November 2025.

Katie Haywood

Ombudsman