

The complaint

Mrs A complains in her capacity as trustee of the Mr and Mrs Y Trust that Zurich Assurance Ltd (Zurich) did not make sufficient efforts to contact Mrs Y and her when the plans taken out by Mr and Mrs Y matured. She says that meant she and Mrs Y were not able to consider their options fully.

What happened

In 1982 Mr and Mrs Y each took out a Maximum Investment Plan (the plan(s)) on a last survivor basis with Hambro Life Assurance Plc (which later became Allied Dunbar Plc which later became Zurich). The plans were written in trust and Mrs A was named as an additional trustee in both plans. When Mr Y died in 1989 Mrs Y became the sole policy holder. In early 1990 Zurich acknowledged Mrs A's letter in which she told them of Mr Y's death and provided her address at that time.

The plans matured in 2002. Just before they matured Zurich wrote to Mrs Y on two occasions at the address they had on file for her setting out her options. These were: to allow the plan to mature and take the proceeds or to maintain the plan and pay £1 per year as annual contributions or to continue with contributions and keep the plan running.

Mrs A accepts it's likely Mrs Y didn't receive these letters as Mrs Y had moved address and is unlikely to have notified Zurich. As Zurich didn't receive any response from Mrs Y they placed the funds in a non-interest bearing account.

Mrs Y sadly died in 2005. In 2008 Zurich made tracing enquiries and discovered that Mrs Y had died in 2005. Zurich accept that at that point they should have tried at the very least to contact Mrs A as she was a trustee but they did not do so. In 2023 Zurich traced Mrs A to her new address and in November 2023 they paid the proceeds of both plans to Mrs A in her capacity as trustee. Following Mrs A raising the issue with them Zurich also paid Mrs A an additional payment at their late payment rate from 1 August 2008 to the date the maturity proceeds were paid out. They said their current late payment rate was 3.25% but they were unable to say for certain the basis on which the calculation was made.

Mrs A complained to Zurich saying they made no real effort to obtain a decision about the future of the plans at maturity despite knowing the plans were written in trust and despite them having her then address in their records. She said that as the point of the plans was to provide a tax-free investment she would have maintained the plans by paying the £1 contributions each year.

Zurich said as the plans were not claimed before the maturity date the only option available was for them to be encashed. They accept that from 2008 they could have contacted Mrs A as the trustee of the plans hence the additional payment they made to Mrs A.

Our investigator felt Zurich did enough to contact Mrs Y before the plans matured. She accepted that Zurich's policy of not contacting a trustee if a policy holder was still alive was reasonable. However, she felt that Zurich should have contacted Mrs A in 2008 when they discovered Mrs Y had died especially as they had her contact details on record.

Our investigator was not satisfied the interest rate Zurich applied was fair or reasonable noting that it equated to roughly 0.5% for 15 years. She was of the view Zurich should pay a simple interest rate of 8% from 2008 to the date the maturity proceeds were paid.

She was also of the view that Zurich should pay Mrs A £50 for distress and inconvenience because in a letter in September 2023 they implied they hadn't been made aware of Mr Y's death or Mrs A's address when Mrs A had notified them of this.

Mrs A accepted our investigator's view. Zurich said 8% simple interest was not appropriate and they suggested as an alternative the Bank of England base rate plus 1%. But both our investigator and Mrs Y were of the view that 8% simple interest should be applied so the matter was referred to me to make 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.

The issue in this matter is narrow. Zurich accept that in 2008 they were aware Mrs Y had died and they could have contacted Mrs A as the trustee of the plans. As Mrs A accepted our investigator's view I won't address the original complaint in detail but, for the same reasons our investigator gave, I share her view that Zurich acted fairly at maturity. In light of that the only point left in dispute is the rate to use so my decision focusses on that.

Zurich say that a simple interest rate of 8% is not appropriate in this case and represents a disproportionate return on what the complainant could have achieved. They say the complainant would be overcompensated if 8% simple interest is applied. They suggest they pay interest at the Bank of England base rate plus 1%. They point out that in January 2026 our service implemented changes to the interest rate we apply. They highlight that in our guidance we say, "If we think a different interest rate should be used we'll explain why". They say this demonstrates that the 8% is only guidance.

Mrs A didn't agree with Zurich's proposal of the Bank of England base rate plus 1% saying she felt the 8% our investigator suggested was fair.

I accept that our service has implemented changes in relation to interest to reflect prevailing market conditions. But, in my view, a business policy decision to use a different rate for complaints brought to us going forward doesn't mean it's unfair to apply 8% in a case where the issue goes back to 2008.

I accept that our own guidance is merely guidance and it's quite possible for a different rate to the 8% simple to be applied. We may apply a different rate if, for example, we knew that the money would have been invested in a particular way but that's not the case here.

Our 8% simple interest isn't intended necessarily to reflect an investment return or savings rate but to compensate the complainant for being deprived of money for a time and the many things that could have been done with it. I see no persuasive reason to depart from the guidance or our usual approach here.

For the avoidance of doubt the sum to be paid in point 2. below is to be paid to Mrs A in her capacity as trustee of the Mr and Mrs Y Trust. The sum to be paid in point 3. below is to be paid to Mrs A personally to reflect the distress and inconvenience caused to her.

Putting things right

To put things right Zurich Assurance Ltd should:

1. Calculate a simple 8% interest on £55,426.48 from 1 August 2008 to the date the proceeds were paid to Mrs A.
2. Take away the interest already paid of £4,207.49 and any tax deductions (if applicable) from that value and pay the remaining sum to Mrs A in her capacity as trustee.
3. Pay Mrs A an additional £50 for the distress and inconvenience caused.

My final decision

For the reasons set out above my final decision is that Zurich Assurance Ltd settle this complaint as I have directed above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs A to accept or reject my decision before 27 March 2026.

Victoria Smith
Ombudsman