

The complaint

Mr C complains that Phoenix Life CA Limited (“Phoenix”) provided him with unsuitable advice to invest into an endowment savings plan (“the plan”). He says other options such as a Personal Equity Plan (“PEP”).

Mr C is represented by a complaint management company in this complaint, however, for ease of reference, I shall refer to Mr C only throughout my decision.

What happened

In April 1994 Mr C was advised to invest £30 per month (increasing each year by £2.85 for the first nine years) into the plan for a term of ten years. The plan also included life cover for an amount of £6,359. The plan was invested in equity and managed funds which were selected by Mr C.

I’ve noted from the fact find Mr C completed with Phoenix for the plan in 1994 it confirmed that his circumstances recorded in a previous fact find completed in 1992 had remained unchanged. The fact find from 1992 confirmed that his circumstances were as follows:

- He was 34, married and living with his parents.
- His income was recorded as being £16,000 per year and he had no mortgage or other loans.
- He had £5,000 in savings and held £1,500 in stocks and shares.
- Mr C’s Attitude to Risk (“ATR”) was recorded as three out of five on 3 February 1992.
- Without a definition of this rating, we can assume three out of five was around a medium risk.

Mr C decided to run the plan for 15 years, confirming this was his decision on a handwritten note, signed on the illustration document provided to him. However, Mr C surrendered the plan early than this in July 2000, receiving £1,964.26.

In March 2024, Mr C complained to Phoenix about the sale of the plan, raising concerns that other options such as a PEP wasn’t discussed.

Phoenix didn’t uphold the complaint. It said that Mr C had been given information which explained the plan was designed to give a return over the long term and warned that values would likely be low in the early years. It said Mr C has surrendered the plan just over six years from when it commenced and so it wasn’t given the opportunity to grow. It also explained that the agent at that time wasn’t required to document what discussions took place in respect of alternative products.

An investigator at our service looked into the complaint but didn’t think Phoenix had acted unfairly. In summary, they said they were satisfied Phoenix had recorded Mr C’s income and his current assets and had considered the affordability of the plan. They also said that the plan was consistent with his main investment objective which was saving for his daughter’s future education. They noted that there was no evidence of other products being discussed but explained that there was no requirement for Phoenix to do so at that time.

Mr C didn't accept the investigator's view. In short, he said that the reason the disclosure rule had to be introduced in January 1995 was to stop sales like his happening, so that clients could make a balanced and informed decision before proceeding with any recommendation. Mr C also added that the fact find recorded that he was not interested in life cover, yet was sold a plan that included this and that the inclusion of life cover to make the plan qualifying for tax purposes is a poor argument when the first two years premiums are lost in charges. He also added that according to the illustration he would pay in £5,139 for the first ten years of the plan and the illustrative value after ten years at 10% is only £5,980. As such, he suggested the growth rate was actually only under 3% after the reduction in yield due to the charges.

Finally, he also argued that the fact find didn't document whether he had any savings or details of his liquidity which calls into question the sale of a plan which had increasing premiums, and is supported by the fact he had to cash in the plan early.

As no agreement could be reached, the complaint has been passed to me for a final 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 don't think the complaint should be upheld. While there may have been other products that Mr C could've used as a savings vehicle, I think the plan recommended by Phoenix was broadly suitable for his needs and circumstances.

Mr C's attitude to risk was categorised as a 'three' on a scale of one to five that measured how 'speculative' he was prepared to be when investing. I note that the previous fact find completed prior to taking out the plan had recorded that Mr C had previous investment experience in stocks and shares, so I don't think an investment into both equity and managed funds was unreasonable. I must point out that Mr C took out the product over 30 years ago and so there is limited information available for me to consider, but on balance, I'm not persuaded the plan carried too much risk for Mr C's circumstances.

The fact find completed by the adviser recorded that Mr C had £5,000 on deposit and his income was £16,00 per year. As such, the £30 per month appears to have been quite affordable from his disposable income. However, I note that Mr C confirmed in the fact find that the plan would be paid from the child benefits his daughter was to receive and so I'm satisfied the plan was affordable.

I understand Mr C feels that Phoenix failed to advise on alternative products, such as a PEP. However, as the plan commenced before January 1995, Phoenix wasn't required to document what discussions did or did not take place in respect alternative products in the fact find. So it's not clear whether other products were discussed with Mr C but ultimately, Phoenix had a responsibility to provide a suitable recommendation and whilst I accept there may have been other options available, I must consider, without hindsight, whether the recommendation made was suitable. Having reviewed everything, I'm satisfied the plan broadly met Mr C's requirements of saving in the long term for his daughter's education.

I also note that Mr C has said he didn't need or want the life cover included in the plan. However, life cover was included in these plans in order to make them qualifying for tax purposes. That is a feature that I think, in all likelihood, would have been attractive to Mr C. In addition, Mr C was relatively young, so the cost of the life cover would've been relatively

inexpensive and therefore wouldn't have had such an impact on the return. Phoenix has said the minimum level of cover was included to make the plan qualifying.

I've also considered Mr C's points regarding the cost vs benefit of the plan. I note that the plan was intended to run for 15 years and had it, Mr C would have paid in over £8,200 into it. And looking at the projected yield in the illustration provided, Phoenix anticipated that he could expect to receive back £10,800 if the investment performed at 5% and up to £15,400 if it performed at 10%. I appreciate Mr C has concerns that the first two years of payments were lost in charges and covering the life cover, however, I think the information around early surrender projections provided to him made this sufficiently clear and ultimately, the plan was structured in such a way as it was intended to be held for up to 15 years. I appreciate Mr C felt the need to surrender the policy early, however, as I've explained above, I don't think the plan was unaffordable for him on the whole.

Taking into account all of the above, I'm satisfied the plan recommended by Phoenix broadly met Mr C's requirements.

My final decision

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

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C to accept or reject my decision before 4 December 2025.

Ben Waites
Ombudsman