

## The complaint

The estate of Mr C are unhappy with the date used by Scottish Friendly Asset Managers Limited ('SFAM') to calculate the death benefit on an investment policy.

## What happened

The late Mr C set up a Capital Investment Bond with Marine and General on 29 September 1997, which was later transferred to SFAM. He sadly passed away in June 2022.

Mr C's representatives notified SFAM of his death and made a claim for benefits on 1 July 2024. SFAM sold the units in the policy and paid out the proceeds on 19 July 2024.

On 20 December 2024, the estate made a complaint to SFAM as they were unhappy that they had used the date of Mr C's death to calculate the claim value, rather than the next working day after the date they made the claim, which is when the units in the investment were sold. During the two years between Mr C's death and when the claim was made, the value of the policy increased, and so the estate believe that SFAM benefited from the higher policy value.

After considering the estate's complaint, SFAM issued their final response on 8 January 2025. They said, in summary, that they didn't uphold the complaint and explained the key features for the bond confirmed the date of Mr C's death would be used to calculate the benefit.

The estate was unhappy this outcome, so they referred their complaint to this service on 7 July 2025. The estate claimed that if SFAM were permitted to use the date of Mr C's death to calculate the claim value, they should pay interest from the date of his death until the payment date.

The complaint was then considered by one of our Investigators. She concluded that SFAM hadn't treated the estate of Mr C unfairly and she also said, in summary:

- The policy schedule states "*The benefits to be paid on the death of the Life Assured will be the value at Bid Price of the units then attributed to this policy multiplied by 1.01*". Section "What happens if I die?" of the key features document states "*If you die, (or the survivor in a joint life investment dies), MGM Assurance will pay a sum equal to 101% of the selling value of the units in your investment at the time of death*".
- As Mr C was the sole owner of the policy, his death was the 'chargeable event' that triggered the end of the policy. According to the terms, SFAM were required to pay 101% of the policy value based on the unit prices at the time of death. So, they did what they were required to do under the terms of the policy.
- Section "2.5 Valuation Date" of the policy document states "*The Valuation Date means in the case of the calculation of benefits, the date the benefits are due and payable or the*

*date a valid claim for such benefits is received by the Society, if so determined by the Society*". After considering what the estate had to say, our Investigator wasn't persuaded section 2.5 is applicable where death benefits are to be calculated. Had Mr C wished to surrender his policy during his lifetime, then SFAM would've been required to use the date of his valid claim as the valuation date, in line with section 2.5.

- But as the bond ended when Mr C died in June 2022, SFAM could only sell the units once they were notified of his death, and in this case that happened on 1 July 2024. Once they received the estate's notification, they correctly used the date of death to calculate the value payable.
- She wasn't persuaded that SFAM should pay interest in this case. If there was evidence that a business had caused delays in processing a valid claim which resulted in the customer receiving the payment late, we may ask them to pay interest for the delayed period. However, as she hadn't seen anything to suggest that SFAM had caused delays in processing the claim, and as she'd not seen that the estate had complained about any delays, she didn't think SFAM needed to do anything further.

The estate of Mr C, however, disagreed with our Investigator's findings. In summary, they said:

- *"In the Policy Schedule it states, "This Schedule and Brochure CIB 2 form part of this policy". CIB 2 is the Policy Document.*
- *The key features document is not automatically a legally binding part of a contract unless it is explicitly incorporated by reference into the main signed agreement. Therefore, only CIB 2 and the Policy Schedule form the entire contract. Anything stated in the key features document is irrelevant.*
- *In addition to the key features document being irrelevant, it is not worded as you state. Section "What happens if I die?" of the key features document does not state "If you die, (or the survivor in a joint life investment dies), MGM Assurance will pay a sum equal to 101% of the selling value of the units in your investment at the time of death". Section "What happens if I die?" of the key features document states "If you die 101% of the value of the units is payable". I have attached the key features document as proof of this.*
- *Section "2.5 Valuation Date" of the Policy Document states "The Valuation Date means in the case of the calculation of benefits, the date the benefits are due and payable or the date a valid claim for such benefits is received by the Society, if so determined by the Society".*
- *You are not persuaded section 2.5 is applicable where death benefits are to be calculated. I cannot understand why as this clause from Section 2.5 refers only to the calculation of death benefits and is not relevant to the surrender value of the policy. The calculation of surrender value is covered in Section 7 and not at all in Section 2.5. I have attached the Policy Document in case you have not seen it.*
- *The above clause from Section 2.5 defines the Valuation Date as the date the benefits are due and payable or the date a valid claim for such benefits is received. In either case this is 1st July 2024 because the benefits are not due and payable until a valid claim is received.*
- *If the value of the policy had been lower on the date the units were sold than on the date of death, then SFAM are likely to have opted to use the claim date as the Valuation*

*Date (as the above clause in Section 2.5 allows them to do). I believe it is fair and reasonable for SFAML to use the Valuation Date on the day they sold the units. If they do this they will not make a profit or loss on sale value.*

- *I received payment from SFAML on 19 July 2024. I am not sure if you would consider this a reasonable timescale to process my claim or if SFAML have caused a delay.”*

Our Investigator was not persuaded to change her view as she didn't believe the estate of Mr C had presented any new arguments she'd not already considered or responded to.

Unhappy with that outcome, the estate of Mr C then asked the Investigator to pass the case to an Ombudsman for a decision. The estate also provided further comments to support their submissions on 4 December 2025, which I have also taken into account, but chosen not to repeat here, purely for brevity purposes.

### **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 have summarised this complaint in less detail than the estate of Mr C has done and I've done so using my own words. The purpose of my decision isn't to address every single point raised by all of the parties involved. If there's something I've not mentioned, it isn't because I've ignored it - I haven't. I'm satisfied that I don't need to comment on every individual argument to be able to reach what I think is the right outcome. No discourtesy is intended by this; our rules allow me to do this and it simply reflects the informal nature of our service as a free alternative to the courts.

My role is to consider the evidence presented by the estate of Mr C and SFAM in order to reach what I think is an independent, fair and reasonable decision based on the facts of the case. In deciding what's fair and reasonable, I must consider the relevant law, regulation and best industry practice. Where there's conflicting information about what happened and gaps in what we know, my role is to weigh up the evidence we do have, but it is for me to decide, based on the available information that I've been given, what's more likely than not to have happened. And, having done so, I'm not upholding the estate of Mr C's complaint – whilst there's not a great deal more that I can meaningfully add over what our Investigator has set out, I'll explain why below.

I think it would be useful to start by explaining the nature and features of the policy that the late Mr C held with SFAM. A capital investment bond is a type of single-premium life assurance contract, where the investment is wrapped within an insurance policy. Although the life cover is usually only nominal, the legal structure matters; that's because the policy ends the moment the sole life assured dies, and at that point, the insurer must calculate the surrender value as at the date of their death. That value then becomes the amount payable to the estate.

This is different from a unit linked investment which is a pure investment product where the investor owns units directly and the value continues to fluctuate until the units are actually sold. With a capital investment bond, the life assurance wrapper means the contract itself terminates on death, so there's no scope for the estate to benefit from market movements after that point.

This distinction is important because it explains why the date of death value is used. In a unit linked fund, the estate would receive whatever the units are worth when the executors encash them. In a capital investment bond with a sole life assured, the policy can't continue after death so the insurer must crystallise the value immediately. The presence of life cover, albeit minimal (which in this case is 101%), creates the legal trigger that fixes the value at death rather than encashment.

For Mr C's estate, this has several implications. The executors receive the value calculated at the date of his death, even if the markets rise or fall before they complete the paperwork. There is no investment risk or opportunity after death because the policy has already ended. The chargeable-event gain is also assessed using the date of death value, which may affect the estate's tax position. And, because the policy ends automatically, the estate's role is administrative rather than discretionary; what I mean by that is Mr C's executors don't get to choose when to encash and they can't influence the value that the estate receives.

But in any event, it seems to me that the estate has complained because markets have risen since Mr C's passing and they believe they should be entitled to a larger return. However, I well suspect that had markets worked in the opposite direction and tracked downwards, they wouldn't have raised a complaint.

Whilst I appreciate the executor has raised challenges around the terms within the policy and why they believe that they should receive the value of the plan at the date of encashment, given the nature of the plan that the late Mr C set up and the key features of the contract, I'm satisfied that SFAM have applied the correct criteria by paying out the value of the plan at the date of his death.

Although Section 2.5 of the Policy Document allows SFAM to use either the date a benefit becomes due and payable or the date they receive a valid claim, that clause applies only where the Society retains discretion over the timing of valuation, such as during the lifetime of the policyholder when a surrender request is made. It doesn't apply to death claims. This is because the policy terminates automatically at the moment of death, and the contract requires the insurer to crystallise the value at that point. Once the bond has terminated, there is no remaining investment whose value could fluctuate between death and claim, so Section 2.5 cannot operate to displace the death-benefit provisions.

I appreciate the executor's point that the Key Features Document is not, by itself, a contractual document. However, I have relied primarily on the policy terms and the nature of capital investment bonds rather than the Key Features Document. The description in the Key Features Document is consistent with the policy provisions and with industry practice for single-premium life-assurance investment bonds. Even if I were to disregard the Key Features Document entirely, the policy's structure and contractual provisions still require the value to be fixed at the date of death.

A capital investment bond isn't designed to give an estate exposure to investment gains or losses after the death of the sole life assured. Once the life assured dies, the policy ends and the insurer is required to crystallise the value at that point. This mechanism protects both sides from post-death market movements. While I acknowledge the estate's view that market increases during the two-year period should be passed on to them, this would be inconsistent with the contractual design of the product and would expose the insurer, or potentially consumers in other circumstances, to market risk after the policy has ended.

Mr C's representatives notified SFAM of his death and made a claim for benefits on 1 July 2024. SFAM sold the units in the policy and paid out the proceeds on 19 July 2024. During their subsequent correspondence with our Investigator, the estate explained that they felt SFAM had delayed paying the funds out to them. However, as this didn't form part of the

original complaint to SFAM, I won't comment on it any further. If the estate wishes to pursue this particular issue, they must first raise it with SFAM to allow them the opportunity to respond.

As I've not been persuaded that SFAM have deprived the estate of funds that they were entitled to, it therefore follows that I'm not upholding the complaint.

### **My final decision**

I'm not upholding the estate of Mr C's complaint and it therefore follows that I won't be instructing Scottish Friendly Asset Managers Limited to take any further action.

Under the rules of the Financial Ombudsman Service, I'm required to ask the estate of Mr C to accept or reject my decision before 13 April 2026.

Simon Fox  
**Ombudsman**