

The complaint

Mr S complaint is about a mortgage endowment policy he had with Phoenix Life Limited trading as Standard Life. He believes that the Standard Life Mortgage Endowment Promise (MEP) that was associated with the policy should have paid the policy shortfall at maturity.

What happened

Mr S took out his unitised with-profits mortgage endowment policy in 2020. Around that time the regulator and industry identified that the returns on such policies had declined over recent years and so there was the potential for many mortgage endowment policies that already existed to fail to reach their target values and repay the mortgages they were linked to.

This resulted in the Regulator reviewing the projection rates that should be used for estimating maturity values. The life assurance industry then completed regular reviews of mortgage endowment policies, based on those revised reprojection rates and telling policyholders the likelihood of their policy reaching the target value. Policyholders whose policies were not projected to reach their target values were encouraged to take action to deal with the shortfall.

In light of the uncertainty regarding returns from mortgage endowment policies, Standard Life introduced the MEP in the autumn of 2000. This provided for any shortfall in the maturity value of endowment policies being covered by the MEP, as long as certain growth requirements were reached within the funds the policy was invested in. The funds needed to average at least 6% per annum after tax from September 2000 to the end of the term.

When Standard Life reviewed its mortgage endowment policies it informed policyholders of the likelihood of not only whether the policy would achieve its target value, but also whether the MEP was likely to cover any shortfall expected. Mr S has confirmed that from 2007 onwards the annual review he received told him there was a significant risk that the policy would fall short of its target value *and* that the MEP was unlikely to cover the shortfall.

Mr S' policy matured in 2025 with a shortfall of approximately £2,600. As the growth over the term from September 2000 was less than 6% on average, the shortfall was not covered by the MEP. Mr S complained as at no point had Standard Life told him the MEP would definitely not cover the shortfall on his policy.

Standard Life didn't uphold the complaint and Mr S asked us to consider it. One of our Investigators did, but he didn't recommend that it be upheld. Mr S didn't accept the Investigator's conclusions. He said that by saying a payout under the MEP was unlikely, the wording was loose at best and is far from saying it would not pay out. He considers that the wording of the letters should have been clearer and definite. Mr S also commented that he left the management of the policy to Standard Life and was not responsible for it not achieving sufficient growth for the MEP to pay out – he had contracted with it to provide the

target amount at the end of the term. He 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.

Mr S has highlighted that the review letters he was sent didn't say that he would not receive any benefit from the MEP at maturity, but rather that it was unlikely that he would. Both the maturity value of Mr S' endowment policy and a payout under the MEP were dependent on the growth achieved on the funds the policy invested in up to the maturity date. That growth could not be known until all of the premiums to the policy had been paid and the term had ended. So Standard Life could not tell Mr S for certain that his policy would mature with a shortfall or that the MEP would not pay out until the end of the term.

What it could, and did, was tell Mr S on a regular basis what it considered the likelihood of either of those things happening was. It did that and for the majority of the term of Mr S' policy it told him that there was a significant risk that the policy would fall short of its target value and that the MEP was unlikely to cover that shortfall. In light of this, Mr S was encouraged to take action to address the predicted shortfall on the policy.

While I know that Mr S won't be satisfied with my conclusions, I don't consider Standard Life did anything wrong in its communications over the term of the policy in relation to the MEP. Nor do I consider that it needs to make a payment to him under the MEP, as quite simply, the conditions that needed to be met for that to happen were not.

I have noted Mr S' comments that he left it to Standard Life to manage his investment, with the implication that it was its fault that the returns were insufficient for the policy to pay out the target value or for the MEP to cover the shortfall. That is true, Standard Life was responsible for managing the fund in which Mr S' policy invested, however, the fact that it did not perform as well as hoped is not a reason to uphold this complaint. As I explained above, investment returns fell from the late 1990s, and life assurance companies could only do so much to deal with the impact of these changes. It is unfortunate, but reduced investment returns impacted the whole of the industry and resulted in shortfalls on large quantities of mortgage endowment policies.

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 6 March 2026.

Derry Baxter
Ombudsman