

The complaint

Ms J complains about Sheffield Mutual Friendly Society Limited (SMFS). She says SMFS treated her unfairly when she surrendered her with profits endowment policy. She says the charges applied by SMFS at the beginning of her policy, were excessive. She would like SMFS to pay her compensation.

What happened

Ms J took out a with profits endowment policy with SMFS in January 2024, that it called a regular savings plan. The policy contract was for a 10-year term with Ms J committed to paying monthly premiums of £100. The policy in return provided a guaranteed sum assured at maturity, with the possibility of bonuses.

In August 2024, Ms J told SMFS that she was experiencing financial difficulty. It offered a payment holiday and explained the impact of surrendering the policy at that stage. Ms J decided to continue with the policy.

Early in 2025, Ms J decided to surrender the policy. SMFS calculated the surrender value, reflecting the contractual charging structure, including the recovery of initial costs early on. As a result, Ms J received back a lot less than she was expecting and the £1,700 she had paid in. She complained to SMFS, saying the deductions were unfair and disproportionate.

SMFS did not agree with Ms J's complaint and explained that the charges were in line with the policy terms and had been clearly disclosed at the outset. It pointed to a demands and needs questionnaire where it said Ms J said she was aware she may get back less than she paid in if she surrendered early.

SMFS also pointed to the application pack that it said illustrated the charges. It said it had illustrated the impact of early surrender this way. It said an endowment policy was designed to be held to maturity. SMFS also said it was made aware in August 2024, that Ms J was experiencing financial difficulty, so a colleague offered a payment holiday, but this was declined.

Ms J was not happy with SMFS's response so referred her complaint to our service. An investigator looked into her complaint and concluded SMFS had, on this occasion, acted fairly and reasonably. He said the products features and risks had been clearly explained, after looking through the paperwork. He was satisfied risk of cancelling the policy early was made clear to Ms J. He said he could also see this was the case in the product brochure, key information document, illustration, phone case and through a questionnaire. He didn't ask SMFS to do anything more.

Ms J did not agree with the investigator and said she had serious concerns about SMFS's product governance, including compliance with FCA's rules, the consumer duty and overall fair value. She listed out a list of the rules that she said were relevant to her complaint. She said SMFS shouldn't have sold her the plan as it was not suitable for her. She had surrendered a policy before and had told it in August 2024, that she was struggling

financially. She said it failed to prevent her from foreseeable harm and had inadequate protection for a financially vulnerable customer.

SMFS also made some comments in response to what Ms J had said here. It said it conducts annual reviews to ensure its products deliver fair value and that they meet their target market's needs. It said that when Ms J previously applied for a policy with it, it was aware she said she wanted to surrender to pay an urgent bill. It said this didn't indicate she was in wider financial difficulty. It said, for this policy it did offer financial assistance when she contacted it for help, but also that, at the time she signed up for the policy, it was unaware of any issues, and so at that point, couldn't have foreseen the policy would have caused her harm.

Because the parties are not in agreement, Ms J's complaint has been passed to me, an ombudsman, to look into.

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 independently reviewed Ms J's complaint and have arrived at the same outcome as the investigator, for broadly the same reasons. I will explain why.

Ms J discovered that surrendering her policy held with SMFS resulted in significant deductions. I can imagine that this would have been upsetting for Ms J, particularly as she has explained the circumstances that led her to needing to surrender the policy in the first place. That said, Ms J's complaint is about whether SMFS treated her unfairly and it is this that I have looked at.

I've considered the nature of Ms J's policy. Although SMFS described it as a regular savings plan, it was in substance a long term with profits endowment policy. Such policies are designed to be held for the full term, with the value to the policy holder arising over time through a combination of guaranteed benefits and bonuses.

A with profits endowment policy also typically involves significant initial costs, which are recovered early on in the life of the product. As a result, policy holders who surrender in the early years will often receive back much less than they have paid in. This is not an unusual or exceptional feature, but a part of how the policy is structured. That said, SMFS had a responsibility to Ms J to ensure the key features of the policy were provided to her in a clear, fair and not misleading way.

I've looked through the documentation and can see that Ms J was given a key information document and an illustration which explained the charging structure and made clear that she could get back less than she had paid in if she surrendered early. During the application process she was also asked questions to confirm her understanding of the long-term nature of the commitment and the risk of loss on early surrender, and she indicated that she understood the points by answering yes to these questions. I'm satisfied therefore that Ms J was given clear information about the key features of the policy and in particular the way charges were structured.

Moving on, I've looked into what happened when Ms J contacted SMFS, to let them know she was struggling to make payments. SMFS offered her a payment holiday and explained this could help her avoid surrendering the policy at an early stage, that may result in her getting back less than she had paid in. I can see that it did try and offer an alternative option to Ms J surrendering the policy.

Ms J has sent through detailed arguments about the policy and that it was unsuitable for her. She has listed out FCA rules and also mentioned the Consumer Duty. She said SMFS shouldn't have sold a policy to someone who it knew had experienced financial problems. But I haven't seen anything from the time Ms J applied for the policy, that shows SMFS would have been aware of this. I am not persuaded that what happened when she surrendered a previous policy was enough for SMFS to have done anything differently than it did. In addition, when it was notified by Ms J in August 2024 about this, it offered a payment holiday and gave her an option other than surrendering the policy. By this stage, she had already signed up and was months into its existence.

Overall, I'm satisfied SMFS clearly explained the policy's key features and consequences of early surrender. It then applied the contractual charges in line with the policy terms. It offered appropriate forbearance and support when Ms J disclosed, she was having financial difficulty and did not act unfairly in calculating the surrender value.

In these circumstances, and while I do have sympathy for the position Ms J is in, I don't think it would be fair to require SMFS to do anything to resolve her complaint. Based on everything I have read and the findings I have given, I don't uphold Ms J's complaint.

My final decision

My final decision is that I do not uphold Ms J's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms J to accept or reject my decision before 25 February 2026.

Mark Richardson
Ombudsman