

The complaint

Mrs H's complaint is about a Homebuilder endowment policy she took out in 1986, which was ultimately transferred to Phoenix Life Limited. She believes that the premiums from September 2010 onwards were not collected due to a mistake on the part of the product provider. In addition, Mrs H has said that due to the product provider not updating her address in 2009 as it should have, she wasn't told about the situation and this has likely resulted in a loss to her, due to the lack of investment opportunity.

In settlement of the complaint, Mrs H wants Phoenix to pay her the full value of the policy, without deductions for the missed premiums, the growth on them and the administration fees that were applied.

What happened

Mrs H took out her policy with Australian Mutual Provident Society (AMP) in 1986. The policy had a sum assured of £6,500, which it would pay out in the event of Mrs H's death during the term, to which bonuses were added. Monthly premiums of £12.26 were payable and the policy had a maturity date of 14 April 2025. The policy document sets out:

2. (c) If the specified Premiums or any one of them shall be not duly paid on the days specified or within one calendar month thereafter: provided that if this Policy be kept in force for two (2) years from the commencement of the risk, the non-payment of any subsequent Premium shall not necessarily void the same so long as the surrender value, as fixed by the Bond, after deduction of any loan or charge thereon, is sufficient to support a loan for the payment of any such subsequent Premium. The Board at its option and without application from the Assured may advance a loan against such surrender value towards the payment of any Premium due and any sum so advanced shall bear compound interest at such commercial rate as the Board shall determine, and shall be a charge upon this Policy, and may be deducted from any moneys payable under this Policy.

Product particulars:

If you stop paying premiums before the end of the time for which you have contracted, and you have paid at least two years' premiums, the policy will be kept in force in accordance with the non-forfeiture conditions as set out in the policy. Alternatively, at your request, the policy may either be converted into a paid-up insurance for a reduced Sum Insured (with the Minimum Death Benefit reduced to this level) or surrendered for an amount which will be determined by AMP.

The endowment policy was transferred to London Life. London Life was aware that it did not have a current address for Mrs H and it employed a tracing company to find her. It obtained an address that it thought was hers and wrote to her in October 2009 to ask her to confirm if the address was hers. Mrs H has said that she completed the enclosed form and returned it to London Life. Phoenix has told us that due to the passage of time, it has no record of the letter sent to Mrs H or whether a response was received by London Life. Mrs H's address was not changed for the endowment policy.

The last premium paid to the policy was collected by London Life in August 2010. Thereafter the premiums were credited to the policy in the form of a policy loan, which attracted simple interest at 5% per annum. Annual statements regarding the policy loan, or arrears as it has also been described, should have been sent to Mrs H, but as London Life's systems recorded that it didn't have an up-to-date address for her, they were not sent.

When the policy was transferred to Phoenix in 2012, it was aware that it didn't have a valid address for Mrs H recorded against this policy. However, it sent Mrs H a letter in January 2013 about the fund her policies were invested in following the transfer of business to Phoenix. The letter detailed a policy number ending 175, which is not the endowment policy subject of this complaint.

In December 2024 Phoenix sent Mrs H a letter about the maturity of her policy. It is not clear when Phoenix changed the address for the endowment policy, but this letter was sent to the correct address. There was then an exchange about Phoenix's requirements for the maturity value being claimed.

Towards the end of these discussions, Phoenix separately wrote to Mrs H about a direct debit that it had mistakenly cancelled and then reinstated. Mrs H questioned this and the fact that she had been told that she had not been paying the premiums for the endowment policy. Phoenix told her that the direct debit related to a different policy – a whole of life policy she'd taken out with a different life assurance provider, and which had been transferred to Phoenix in 2016.

The endowment policy matured with a value of £15,520.33. From this Phoenix deducted the amount of the policy loan for the unpaid premiums of £2,319.40 and the interest on those premiums, plus an administration charge, totalling £1,137.73.

Mrs H complained to Phoenix in February 2025 about the endowment policy and that she had a second, whole of life policy with it, which she had not been aware of, along with some administrative issues to do with that policy. It responded to the complaint in a letter dated 23 April 2025. Phoenix acknowledged that Mrs H had contacted it several times and hadn't received a timely response, which caused her distress. As such, it upheld the complaint.

In relation to the whole of life policy, Phoenix explained that it was taken out with Abbey Life in 1988. It had a monthly premium of £14.40. The policy was transferred to Phoenix in 2016. Phoenix again acknowledged that there had been some errors on its part which meant that its records for the policy were not updated. Phoenix apologised for these errors.

Phoenix paid Mrs H £500 for the trouble and upset of it not having contacted her over a 15 year period to inform her that the endowment policy was in arrears and its administrative errors on both policies had caused her. In addition, it refunded half of the interest and administrative charges it had deducted from the maturity value.

Mrs H was not satisfied with Phoenix's response and referred her complaint to this Service. When she did, she said that she had not noticed that the endowment policy premiums were not being taken as her bank statements showed a direct debit being paid to Phoenix, which she believed was for the endowment policy. Later in our investigation Mrs H said that she can only assume that the monthly premium was very small and got lost in the "noise" of other monthly transactions. She also confirmed she had another policy with one of the life assurance companies that provided either her endowment policy or the whole of life policy.

One of our Investigators considered the complaint and recommended that it be upheld. She concluded that it was Phoenix's fault that the premiums had not been paid, and while Mrs H would have had the benefit of the premiums not collected, she had lost out on the potential

growth they would have created within the endowment policy. The Investigator recommended Phoenix pay Mrs H a sum equal to the maturity value had all premiums been paid, less the missed premiums and the value already paid.

Mrs H accepted the Investigator's conclusions. However, Phoenix did not. It highlighted that in 2010 the policy would have shown on Mrs H's bank statements as a payment to London Life. The whole of life policy was with Abbey Life at the time and the direct debit for that policy could not have been used to pay the London Life policy. It highlighted that in 2010, London Life could not have accessed Abbey Life's records for an address, as it was a separate company. Phoenix confirmed that it had taken on the Abbey Life policy in 2016, but it would have been administered on a different system from the former London Life policy until February 2025.

The Investigator considered what Phoenix had said, but she was not persuaded to change her conclusions. As Phoenix still disagreed with the outcome, it asked that the complaint be referred to an Ombudsman for consideration.

I issued a provisional decision on 29 January 2026, in which I set out my conclusions and reasons for reaching them. Below is an excerpt.

'I have considered the matter of Mrs H's address and the correspondence relating to the endowment policy. Based on property records, it appears that Mrs H moved home in 2006 and may not have informed London Life of her new address. However, it became aware that the address it had on its records for her was wrong and had her traced in 2009. A letter was sent to Mrs H asking her to confirm her new address. Mrs H has said she sent the form back to London Life and I am persuaded that she did. I have reached this conclusion based on the fact that Mrs H recalls that she had a second policy with one of the two life assurance companies. The letters she provided to Phoenix would indicate that the third policy was with London Life and in 2013 Phoenix wrote to Mrs H at the correct address about that policy. So it would appear that London Life updated its records for one of Mrs H's policies, which seems likely to have come about from the tracing process. However, it would seem that London Life only updated one of Mrs H's policies and the endowment policy continued to show that there wasn't a valid address available.

In September 2010 the direct debit paying the policy stopped being paid. At this distance in time, it can't be known why that happened – be it a mistake by London Life, Mrs H or her bank. However, it is not something that would have been linked to the fact that London Life didn't have a valid address for Mrs H, as if that were the case, the premium collections would have stopped much earlier. In the circumstances, I can't find that Phoenix is responsible for the premiums stopping.

As London Life had not updated the address attached to the endowment policy, it seems unlikely that it sent Mrs H notification that premiums had been missed, as would have been expected. So Mrs H knowing that she had stopped paying for the policy was dependent on her noticing that she was only making one payment to London Life each month, rather than two. I note what Mrs H has said about the premium being relatively small and so it could have got lost in a busy bank account and I can appreciate what she is saying in this regard – by the time the premiums stopped being paid, £12 would not have been a significant amount when compared to an average wage at the time. However, she has also said that she is very diligent about checking her bank statements, which makes me think that she should reasonably have noticed that one of her two payments to London Life had disappeared off the statements.

So, overall, I am satisfied that it is reasonable for Phoenix to have deducted the amount of the missed premiums from the amount it paid to Mrs H, as reasonably she should have been

aware that they were not being paid. I now turn to the remaining deduction and the resultant sum.

Mrs H has said that she feels she's missed out on the growth within the policy that could have been achieved, had the premiums been paid. The way the policy works is that premiums are allocated as and when they should have been paid by the policyholder, and the amount of those premiums form a policy loan. This means that the policy value grew as it would have, had Mrs H paid the premiums when they were due.

As with most borrowing, the policy terms state that interest is payable on the outstanding amount. In this case Phoenix has confirmed the interest rate charged is 5% simple, so there is no compound interest charged on the interest that has already accumulated. Phoenix has also explained that, while the policy terms allowed interest to be charged immediately following a premium being missed, it has not charged interest for the first 13 months, which can only be considered as it having treated Mrs H fairly.

So, according to the policy terms, Phoenix was allowed to make the deduction from the maturity value that it did.

However, Phoenix has accepted that it could have done more to make Mrs H aware that the policy premium had stopped. It's not clear what would have happened had it done so, as I also consider that she should have discovered this fact herself and could have done something about the situation. In the circumstances, both parties could be seen to be equally responsible for the situation.

Phoenix has accepted its part in the situation and has paid Mrs H half of the interest and administration charges that accrued on the policy loan. I think this is a reasonable offer. In addition, it has paid her £500, the majority of which it's complaint records show was for it having not contacted her about the situation earlier. I have carefully considered this, and I think the amount is fair and proportionate in the circumstances.'

Mrs H did not accept my provisional decision. She reiterated her previous points about not having been informed that the direct debit had stopped being paid. She said that she could not evidence that she did not cancel the direct debit, but she highlighted that it stopped around the time of one of the many mergers and/or acquisitions and suggested that this was the reason for the direct debit not being collected. Mrs H said she thought a more equitable settlement of the complaint would be for the lost investment growth to be calculated and that split evenly between the two parties.

Phoenix accepted my provisional 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.

I have looked into Mrs H's suggestion that the direct debit stopped being collected due to her policy being transferred between businesses. Mrs H's policy was taken out with AMP. London Life acquired policies from AMP in 1988, and London Life later merged with Phoenix in 2012. So it does not appear that the premiums could have stopped in 2010 due to a merger or acquisition.

I accept that it is possible that something went wrong at London Life that stopped the premiums being collected, but there is no evidence to show that is the case, and it is just as likely that either something went wrong at Mrs H's bank or she made a mistake that caused

the payments to stop. In order to uphold a complaint against a financial business the evidence has to show that it is more likely than not that whatever happened was due to a mistake on that business' part. In this case I can't say that because there is no contemporaneous evidence about the issue.

Mrs H has suggested that redress should be based on the amount of growth that would have been achieved if the missed premiums had not been missed. I have considered this concept. As I explained in my provisional decision, the growth Mrs H wants the redress based on was included in the maturity value. It is also reasonable, which Mrs H accepted, that the missed premiums are deducted.

So Mrs H's concept would be that a deduction be made equal to half of the growth those premiums achieved from 2010, rather than what Phoenix has already offered; half of the unpaid premiums plus half of the interest and administration charge accrued on the policy loan. I can't say for certain which of those options would produce a higher figure, but I think it likely Phoenix's offer is probably significantly more because it includes some of the missed premiums. Furthermore, given how the policy is designed to work, with the policy loan given for missed premiums, and that figure is available, I think it's reasonable that this is the figure used to calculate the redress in this case.

My final decision

My decision is that I do not to uphold this complaint as the settlement Phoenix Life Limited has already paid is fair and reasonable in the circumstances.

Under the rules of the Financial Ombudsman Service, I am required to ask Mrs H to accept or reject my decision before 16 March 2026.

Derry Baxter
Ombudsman