

The complaint

Ms L's complaint is about a mortgage endowment policy she had with Aviva Life & Pensions UK Limited. Ms L is unhappy about the amount of time it took for Aviva to pay the maturity value out and that it did not initially pay late payment interest on the maturity value.

What happened

Ms L took out a mortgage endowment policy in 1996 which matured in December 2019. The endowment policy was assigned to Ms L's mortgage lender. This assignment informed Aviva that it had an interest in the policy, and nothing should be done with it, without the lender being notified. In simple terms, the assignment meant that the maturity proceeds had to be paid to the lender, unless it agreed otherwise.

Around three weeks before the endowment policy was due to mature, Aviva sent Ms L a maturity pack. It does not appear that Aviva sent any correspondence to the mortgage lender. Ms L says she didn't receive the maturity pack.

The maturity pack highlighted that the policy was assigned to Ms L's lender. It said *'As long as we haven't heard from them, we'll pay the money directly to you as long as you've sent us everything we've requested above. We recommend that you speak to the people your policy is assigned to, to make sure they're ok with the money being paid to you.'*

Aviva next contacted Ms L about the endowment policy value in December 2023. Ms L received this letter and contacted Aviva in January 2024 about the payment of the maturity value. It informed her that in order for the maturity value to be paid to her, she needed to obtain a "letter no further interest" from her mortgage lender. Aviva reminded Ms L that it needed this confirmation to pay out the money twice more in July 2025.

Ms L complained to Aviva about not having been paid the maturity value. Aviva responded to the complaint in a letter of 10 August 2025. Aviva set out the timeline of events and said that it could not process the claim for the maturity value of the policy without a letter of no further interest. It didn't consider it had done anything wrong.

On 12 August 2025, Ms L's mortgage lender sent in a payment instruction for the maturity proceeds to be paid to it.

Ms L didn't accept Aviva's response and referred her complaint to this Service.

As Ms L was not satisfied with the response she received, Aviva reopened her complaint. It issued a second final response letter on 12 September 2025. Aviva said that it now considered that it should have paid Ms L the maturity value without the need for a letter of no further interest, despite the policy being assigned. It apologised for this mistake and paid Ms L £750 compensation for any distress or inconvenience she suffered.

Aviva also confirmed that the maturity value had been paid to Ms L's mortgage lender on 3 September 2025. A week later, Aviva made a second payment to the mortgage lender of

interest calculated at Bank of England Base Rate + 1% from the maturity date to the date the money was paid. This sum was just under £10,000.

Aviva then made a further offer of interest in response to being notified that the complaint had been referred to this Service. It confirmed that it would increase the interest rate to 8% simple from the date it considered the maturity should have been paid in January 2025 to the date it was paid out. This meant that it was offering Ms L a further £1,456.41 to settle the complaint. One of our Investigators informed Ms L of the offer, but she did not accept it and asked us to consider her case further.

The Investigator considered the complaint and upheld it. She concluded that Aviva should have reminded Ms L about the maturity earlier than it did and that it had calculated late payment interest using the wrong rate. The Investigator recommended that Aviva pay interest at 8% simple from a year after the maturity date, when she considered Aviva should have reminded Ms L about the maturity. The Investigator was satisfied the compensation payment was appropriate in the circumstances.

Aviva did not accept the Investigator's opinion. It said that there was no evidence that the maturity pack or the annual statements sent over the preceding years had not been received by Ms L. Aviva also said that given the number of policyholders Aviva has, it is not realistic for it to chase those who do not respond when a policy matures. It also pointed out that there was no legal requirement for it to do so. Aviva asked that the complaint be referred to an Ombudsman.

As the maturity value had been claimed by Ms L's mortgage lender, I asked for some further information. The outcome was that the assignment remained valid and, when the lender was provided with a claim form, it claimed the maturity value and paid it off Ms L's mortgage balance. Ms L said that the redress to date didn't reflect the fact that she'd had to continue to pay mortgage interest after the maturity date.

Subsequently, Aviva accepted the Investigator's opinion about redress.

I issued a provisional decision on 20 January 2026, in which I set out my conclusions and reasons for reaching them. Below is an excerpt.

'Aviva has provided very limited information on this case, despite requests from us for specific documents and information. I am, therefore, making this decision based on what information we have and my understanding of normal practices within the industry as a whole and my experience of Aviva's processes from previous complaints.

The starting position for my consideration is that the policy in this case was assigned to a mortgage lender. When a policy is assigned to a mortgage lender it gives that lender rights over the policy. In this case that assignment meant that if Ms L wanted to make changes to the policy, surrender it or claim the maturity value, the lender needed to give permission before anything could happen. When it came to the maturity value of the policy, unless the lender said otherwise (i.e. it released its interest in the policy) the maturity value could only be paid to the lender.

Most larger, high-street lenders stopped automatically having mortgage endowment policies assigned to them in the 1990s and released existing assignments after that. However, some lenders still do have policies assigned to them and even the larger lenders will have policies assigned on an ad-hoc basis where they consider it necessary.

Unfortunately, probably due to the large numbers of reassignments lenders did in the 1990s, reassignments (or cancellation of assignments) were not always recorded on endowment

providers' records. It is not clear in most cases which party was responsible for this omission – the provider or the lender, or if documents went missing in the post. However, it often causes difficulties when endowment policies mature, as the lender will have no record of the assignment or, depending on timescales, the customer as a borrower. This can cause delays in maturity values being paid out.

Generally, a product provider will write to both the policyholder and the lender when an assigned policy is due to mature. This gives the lender the opportunity to claim the maturity proceeds if appropriate, or for it to relinquish its interest in the policy before the maturity date. Unfortunately, where there is no longer a mortgage or records of the consumer, lenders often don't react to maturity documentation being sent to them.

In this case, while Aviva highlighted to Ms L that the policy was assigned to her lender, it appears that its current process for the maturity of assigned policies is to only communicate with the policyholder and pay the maturity proceeds out on the assumption that the assignment is no longer valid. While Aviva has the right to decide its own procedures, in this case the assignment was still valid. Had Aviva written to the lender, as the assignment required, I am satisfied the lender would have claimed the maturity proceeds in 2019, as it did in 2025 after it was furnished with the relevant payment authorisation form.

In light of this, the redress due in this case has to take account of the mortgage interest Ms L paid after the maturity date. Aviva should calculate redress as E plus F, where:

- A. The mortgage interest paid from the 22 December 2019 to 8 September 2025 on the maturity value (£43,523.23).
- B. Interest at 8% simple per annum on each amount in A from the date payments were made until 8 September 2025.
- C. A plus B
- D. £9,442.00 late payment interest already paid.
- E. C minus D
- F. Interest on E at 8% simple per annum from 8 September 2025 to the date of settlement.

If the calculation at E establishes that the amount Aviva has already paid Ms L is sufficient to cover her financial loss, no payment will be due. However, if it establishes that she has suffered a loss greater than the amount of interest Aviva has already paid, it should pay her the sum calculated.

Ms L will need to provide Aviva with information about the interest rates charged on her mortgage between the maturity date and 8 September 2025.

Aviva has already paid Ms L £750 for any upset and inconvenience the delay in her receiving the maturity value has caused her. Having carefully considered all of the evidence, I am satisfied that this sum is appropriate and proportionate in the circumstances.'

Aviva accepted my provisional decision.

Ms L accepted the principle of the provisional decision, but highlighted that when she had contacted Aviva in 2024, she had asked it to pay the maturity value to either her or her lender. She also informed us that the amount paid to her lender was not the full maturity value, as Aviva had paid her another sum separately, due to a mistake in it calculating the maturity value. This amount was £59.02 and she also received late payment interest on that amount of £10.28.

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.

As neither party has raised any objections to my overall conclusions, I see no reason to alter them.

Putting things right

I remain satisfied that the redress due in this case has to take account of the mortgage interest Ms L paid after the maturity date. I have also added to the figures detailed previously the additional payment Ms L made us aware of recently. Aviva should calculate redress as E plus F, where:

- A. The mortgage interest paid from the 22 December 2019 to 8 September 2025 on the maturity value (£43,582.25).
- B. Interest at 8% simple per annum on each amount in A from the date payments were made until 8 September 2025.
- C. A plus B
- D. £9,452.28 late payment interest already paid.
- E. C minus D
- F. Interest on E at 8% simple per annum from 8 September 2025 to the date of settlement.

Ms L will need to provide Aviva with evidence of the interest rates that have applied to her mortgage from the maturity date in 2019 to enable it to complete the above calculation.

If Aviva considers that it's required by HM Revenue & Customs to deduct income tax from any interest due to Ms L, it should tell her how much it's taken off. It should also give Ms L documentation evidencing for use with HM Revenue & Customs.

My final decision

My final decision is that I uphold this complaint. If my conclusions remain the same, I will require Aviva Life & Pensions UK Limited to calculate redress as detailed above.

Under the rules of the Financial Ombudsman Service, I am required to ask Ms L to accept or reject my decision before 20 March 2026.

Derry Baxter
Ombudsman