

The complaint

Mr R is unhappy with Wiltshire Friendly Society Limited's (WFS) decision to charge him an early termination fee.

What happened

Mr R had three unit-linked income protection policies with WFS, the earliest was taken in 1969 and topped up in 1991, and the other two were taken in 1993 and 1995. These policies were supposed to run until Mr R retired.

Mr R said he decided to cancel all three policies in 2025 and that WFS charged him a fee for cancelling the policies early. The overall early termination fee was £120.64. Mr R said he doesn't know why there's a fee to terminate the policies and that it's unfair of WFS to charge him to leave. Mr R also said he was never made aware of the early termination fee. He'd like WFS to waive those costs.

WFS said it couldn't find the relevant sale documents from 1969, however, it was able to find the relevant policy terms from the 1990's. It said the terms clearly explain the fees for cancelling the policies before retirement age and that this fee has applied to all consumers since the 1930's.

Our investigator didn't uphold this complaint. She said the terms allow WFS to charge the fee and explain the formula applied to determine the costs involved. She said WFS provided a breakdown of how it calculated those costs and that these appeared consistent with the terms.

Mr R, unhappy with that, asked for an ombudsman to review his complaint. In summary, he said he doesn't accept that WFS should charge him a fee simply because it's been doing that since 1930. He also said her opinion doesn't seem fair or reasonable, nor does it take into consideration guidance from the regulator or good industry practice. And so, it's now for me to make a final 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.

Having done so, I've decided not to uphold it and for the same reasons given by our investigator. I'll explain why.

The starting point here is the policy terms as that sets out the terms for each policy, including what happens when Mr R decided to terminate the policies before retirement age. The terms say;

1991 and 1993 policies – *“whilst you do not have to continue until retirement age, premature termination of membership would result in...a forfeit as required by the society's rules, deducted from the dividend account before payment was made”*

The 1974 rule book that was in place at the time of both policies also said *“Termination of... Membership and Withdrawal/ of Funds, point 2a there shall be paid.... the amount standing to his credit ... less a deduction of... two full years dividends apportioned to him”*

The 1995 policy terms say *“Membership of the Society should be considered a long term undertaking and, whilst you do not have to continue until retirement age, premature termination of membership would result in the loss of Sickness Cover, and any arrears of contributions, plus a forfeit as required by the Society’s rules, would be deducted from the accumulated credit before payment was made”*

There was an updated rule book that applied to that policy in 1995 said *“there shall be paid.... the amount standing to his credit ... less a deduction of an amount equal to twice the latest apportionment rate for each unit of benefit contributed for...”*

I’ve highlighted this because I think it persuasively shows WFS reasonably made Mr R aware there would be an early termination fee when he originally took the three policies. The rules that govern the scheme were updated since 1995, which came into effect in December 2024, and so I’ve considered what they say as it’s these rules that determine how the early termination fees are calculated. They say;

“2.1 Subject to paragraph 4 of Part C, on or shortly after the last day of the month following that in which a withdrawal notice has been given there shall be paid to the Member giving the notice any amount credited to him or her in his or her account after deducting:-

2.1.1 in the case of a new Member, or an increase in cover, commencing after 31st December 1995, an amount equal to the latest declared apportionment rate for each unit contributed for, or for which contributions were due, 2 years before the month in which the withdrawal notice was given; or

2.1.2 in the case of any other Member, an amount equal to twice that rate; and

2.1.3 in either case, all arrears of contributions as at the date of payment, if any”

I accept Mr R is unhappy that he was charged a fee to terminate the policies ahead of time, but given what the evidence shows, I’m satisfied this was always something he would encounter should he decide to end the plan before retirement age.

Mr R argued the fees seem disproportionate given it doesn’t involve any work on WFS’s part to cancel the policies. He also said WFS hasn’t provided an adequate reason as to why it charges a fee at early termination. But given this forms part of the terms for each policy, I don’t think WFS has to rationalise its decision to include a fee to cancel the policies ahead of time. I should also say it’s not for the ombudsman to tell WFS what it can charge for the administration or cancellation of its policies. Rather, it’s to ensure that WFS follows the terms of its policies and, provided it applies those terms correctly, I’d say that’s fair.

WFS has provided a breakdown of how it arrived at the £120.64 and like our investigator explained, this looks to be correct. As these are unit-linked policies, Mr R received the cash in value upon cancellation, less the early termination fee, which meant he received £17,121. I also note Mr R hasn’t provided an alternative calculation for me to consider and so in the absence of any evidence to challenge WFS’s calculations, I’m persuaded the early termination fees appear consistent with the policy terms and are therefore fair.

Mr R said WFS’s decision to charge the early termination fee goes against good industry practice, but he’s not explicitly explained why. I’m not persuaded that’s the case here as WFS has done what it always said it would in these particular circumstances. And so,

because of that, I don't think it's treated him unfairly.

My final decision

For the reasons I've explained, I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr R to accept or reject my decision before 19 March 2026.

Scott Slade
Ombudsman