

The complaint

Mr and Mrs B seek a return of fees and charges Wesleyan Assurance Society (“Wesleyan”) made on an investment bond Wesleyan advised them to take in trust for their grandchildren.

Mr and Mrs B complain they were led to believe and took the bond on the basis their grandchildren would all be lives assured on the bond. Mr and Mrs B say they wouldn’t have taken the bond otherwise. But only two grandchildren were lives assured and Mr and Mrs B say they only found this out after five years. Mr and Mrs B seek as redress a return of fees and charges Wesleyan made on the bond.

Background and circumstances

I sent the parties a provisional decision setting out the complaint circumstances, including as follows:

What happened

Wesleyan visited Mr and Mrs B several times to discuss investing money for and passing it on to their grandchildren... The intention was to benefit all grandchildren equally.

On Wesleyan’s advice, Mr and Mrs B invested £100,000 in an investment bond placed in a discretionary trust. Wesleyan’s 11 September 2019 advice letter said:

[The arrangement] *“enables you to make a gift with the intention that the proceeds can be passed to your chosen beneficiaries in the future when you feel it is appropriate. In the meantime... you retain control of the investment strategy and can choose when, if and how much to distribute. You considered this to be important because you stated that you wanted to be able to retain the amount and timing of the funds that you wish to give each of your grandchildren at a time you felt was appropriate given their circumstances in the future after they had reached a minimum age... You felt that this was important rather than just gifting the monies now or leaving as a legacy upon your deaths.”*

The trustees could control distributions of the funds. The trustees were Mr and Mrs B and the trust gave them power to add more trustees in future. The advice letter explained that trust decisions had to be agreed upon by all trustees. It also said: *“You should be aware that when “you” the settlors die the remaining trustees could agree to change beneficiaries beyond the original intent of the settlement.”*

The trust allowed the trustees to distribute funds to various categories of beneficiary, including descendants. Mr and Mrs B’s... grandchildren were all named specifically as potential beneficiaries. More beneficiaries could be added if needed – for example if there were more grandchildren.

Regarding the set up of the bond and ‘lives assured’, the letter said:

[The bond] *“requires a minimum of one life assured. I recommend that you both were named as life assured on the policy. We also discussed additional Life assured and recommended*

that the beneficiaries (Grandchildren) are also named so that the policy can remain in force after your deaths. Rather than the investment automatically ending on your death, which would leave the trustees holding cash, which may have to be reinvested incurring additional costs this would allow the policy to stay in existence for the lifetime of the beneficiaries giving the trustees the choice to keep it within the trust, to assign it in full or in part, or to encash at a time of their choosing.”

But the bond allowed a maximum of two lives assured. An electronic application completed at the time didn't nominate grandchildren as lives assured – it mentioned only Mr and Mrs B. But a written application, which had space to fill in details of two lives assured, was also completed on which two of the grandchildren were named as the lives assured. Their dates of birth and address details were added, which don't appear on the separate trust form, so I assume Mr and Mrs B supplied these details to the adviser, although they say they weren't involved in choosing these two, rather than other grandchildren, to be the lives assured. The two selected were around six months old and four years old at the time, based on the dates.

The written application was signed by Mr and Mrs B on 11 September 2019. I assume this form and the trust form (which appear to have been filled out in the same hand) were filled in by the adviser, although nothing turns on this.

An illustration for the bond showed the charges as a 3% initial charge of £3000, an annual management charge, an ongoing advice charge and transaction costs (such as costs of buying and selling assets within the selected investment fund).

The arrangement started in 2019. In April 2024 Mr and Mrs B received a bond statement. This said the bond cash in value in April 2024 was £109,195, made up of a unit value of £97,971 and a (non-guaranteed) final bonus of £11,224. It also said this value had been reached after deducting charges and costs of £1511 that year.

The statement also named the bond's lives assured – as being two of the trust's named beneficiaries. Previous statements hadn't had this detail. This didn't match Mr and Mrs B's expectation that all... beneficiaries would be lives assured. So they complained to Wesleyan that the bond had been set up incorrectly. In response Wesleyan told them the bond could only have two lives assured, so it had never been possible to have all... beneficiaries as lives assured.

Wesleyan offered Mr and Mrs B... redress...£750 [for] the bond *“not being correctly set up as per your original instructions and the intent of the trust”*.

Noting Mr and Mrs B had asked for forms to close the bond, Wesleyan said: *“I strongly recommend that you speak with your Wesleyan SFA before finalising the closure to discuss any potential tax implications that may arise. Alternatively, if you prefer, we can set up the plan again to ensure that the lives assured on the plan are correctly established as the trustees, within the allowable limit, in accordance with the original trust deed and the SFAs recommendations.”*

Mr and Mrs B rejected the offers, because they were *“charged £13,480 for the plan”* and the redress sums offered weren't acceptable for an investment of £100,000. Wesleyan declined to refund the bond charges, saying these were for the management and administration of the bond and applied in accordance with the bond terms. It also asserted *“we can make sure there is no detriment to you or your grandchildren”* by *“setting up the plan again to ensure that the lives assured on the plan are correctly established as the trustees, within the allowable limit, in accordance with the original trust deed and the SFAs recommendations.”*

Mr and Mrs B rejected the offers and surrendered the bond. They said they had lost

confidence in Wesleyan. The funds were distributed for the beneficiaries... Mr and Mrs B... didn't consider the £750 fair for the unsatisfactory service Wesleyan had charged them for.

- provisional decision text ends

My provisional decision set out my provisional findings in terms including the following:

The policy only allowed two lives assured, so the adviser made an error by advising that Mr and Mrs B and all the beneficiaries should be lives assured... From what Mr and Mrs B have said, the fact there could be only two lives assured was never explained to them. I have no evidence to show it was explained. Wesleyan appears to accept that it wasn't explained.

We don't have records to show why the two grandchildren rather than Mr and Mrs B were ultimately selected as the lives assured when the bond started or whether this was explained to Mr and Mrs B. But the incorrect information in the advice letter, and Mr and Mrs B's confusion later, suggests the question of lives assured – as in who would be lives assured and what significance this would have – wasn't properly explained by Wesleyan at the start.

Mr and Mrs B claim redress in the form of a return of £13000 of the fees on the basis that if it had been explained that there could only be two lives assured, they wouldn't have taken out the arrangement at all. I note that it is possible to have more than two lives assured on this sort of investment product – but this wasn't a feature of Wesleyan's particular product. So if Wesleyan had explained the situation to Mr and Mrs B properly, one possibility is they would have decided to invest in a similar arrangement but with a different firm that offered a bond where there could be more than two lives assured. Another possibility is they would have decided to do something else entirely.

Of course, another possibility is that Mr and Mrs B might have decided to still invest in the bond in exactly the same way with Wesleyan. This is because the bond and trust met the desire Mr and Mrs B had at that time to invest funds that could later be distributed to all their grandchildren as beneficiaries in equal shares. It wasn't necessary for all... grandchildren to be lives assured in order for them to all benefit in this way. Not being a life assured on the bond wouldn't have excluded a trust beneficiary from receiving bond proceeds – and being a life assured wasn't how a trust beneficiary could receive bond proceeds. Entitlement to bond proceeds was governed by the trust deed – and all... grandchildren were named there as potential beneficiaries. The only significance of the lives assured was that the bond could run for as long as there was still one life assured living. Given the ages of the lives assured here, it was almost certain the bond could have run for as long as was wanted if the funds were to be distributed to grandchildren in the years after they reached age 18. Such distributions could have been made by Mr and Mrs B as trustees during their lifetimes or made after their lifetimes by them appointing additional trustees during their lifetimes who would do this.

But it seems to me that Mr and Mrs B surrendered the policy due to concern and confusion about whether the trust and bond could meet their needs in this way. It seems to me that one cause of this confusion was Wesleyan's errors - or absence of explanation – at the start. Also Mr and Mrs B seem to have misunderstood what the function of lives assured on the bond was, and that that being named as a potential beneficiary in the trust deed (or being a member of a category provided for in that deed) was sufficient to ensure that all... their grandchildren could receive funds from the bond if allocated to them by the trustees. In short, they seem to have misunderstood how the bond and trust could in fact work for them.

The bond has now been surrendered – and the proceeds distributed. I've thought about whether Mr and Mrs B's decision to do this was caused in part by confusion caused by Wesleyan. I think it was, for the reasons I've given. So I've considered whether this caused

Mr and Mrs B any detriment.

I note the value of the plan exceeded the sum Mr and Mrs B paid into it when they received the 2024 statement. Although the final bonus wasn't guaranteed, there wasn't any penalty for surrendering the policy early. So it seems to me the value paid out represented a fair investment return on the invested funds over the period the bond was invested. This return was net of charges for investment management, administration and investment costs, but such costs and charges are an inherent part of achieving an investment return. Mr and Mrs B were willing to invest the funds for a return and I agree with Wesleyan that it is fair that the charges associated with producing that return – as agreed with Wesleyan – were deducted from the return.

However not all of Mr and Mrs B's funds were invested. There was an initial charge of £3000 taken by Wesleyan in return for the advice to set up the bond and trust arrangement. It is apparent that this advice had flaws. It is also apparent those flaws contributed to the bond and trust arrangement being cancelled by Mr and Mrs B – as they were concerned that the arrangement hadn't been set up correctly and wouldn't be able to achieve their aims. While in my view those concerns were largely misplaced, in my view it was reasonable for them to decide to close the bond in response to their concerns, given the information they had been given by Wesleyan up to that point. I note also that if advice is sought on behalf of the trust beneficiaries on investing the sums they have received, they would incur costs for that.

With all this in mind, in my present view it would be fair and reasonable in the circumstances for Wesleyan to return the initial charge to Mr and Mrs B. In my view this would be a fair reflection of Wesleyan's contribution to Mr and Mrs B's confusion which led to the bond and trust arrangement being brought to a premature end.

In reaching this view, I don't overlook that Wesleyan did suggest that Mr and Mrs B seek financial advice before acting on their concerns and closing the bond. But I note that it suggested this advice be taken specifically in relation to tax matters. Mr and Mrs B did not seek that advice, so I think it fair that if any tax does arise as a result of ending the bond, this is something they (or the trust) will have to account for as appropriate. So I don't propose to make any award for that. I also note Wesleyan did suggest it could reset the plan so that "*the lives assured... are correctly established as the trustees*" but I don't see that this would have improved the situation or resolved Mr and Mrs B's concerns. So I don't find them at fault for not asking Wesleyan to do this. The reasons for having younger lives assured was, as noted in the advice letter, to allow the plan [to] continue after Mr and Mrs B's lifetimes...

As regards the distress and inconvenience caused to Mr and Mrs B... I propose... £400 be paid...

For the reasons I've given, and in light of all I've said, I propose to uphold this complaint on the basis and to the extent I've set out above. To compensate Mr and Mrs B as trustees of the B trust, Wesleyan Assurance Society should pay Mr and Mrs B £3400.

- provisional decision text ends

Mr and Mrs B replied to accept my provisional decision. Wesleyan didn't reply. So the matter has been passed back to me for 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.

As I've received no objections to the redress proposal in my provisional decision, my view remains that my proposal there is a fair and reasonable way of resolving this complaint.

So, for the reasons given in my provisional decision, and set out again above, I uphold this complaint.

Putting things right

For the reasons I've given, and in light of all I've said, I uphold this complaint.

To put things right Wesleyan Assurance Society should pay Mr and Mrs B as trustees of the B trust £3000 for financial loss and £400 for inconvenience.

The sums should be paid by Wesleyan Assurance Society to Mr and Mrs B within 28 days of Wesleyan Assurance Society receiving from us notification of Mr and Mrs B's acceptance of my decision. If the sums have not been paid by then, Wesleyan Assurance Society must pay simply interest on the sums outstanding at the gross rate of 8% per year from the date of this final decision until the date the sums are paid.

My final decision

For the reasons I've given, and in light of all I've said above, I uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B and Mrs B as trustees of the B grandchildren's trust to accept or reject my decision before 24 March 2026.

Richard Sheridan
Ombudsman