

The complaint

Mr W2 complains, on behalf of Mrs W's estate, that Zurich Assurance Ltd allowed a life policy Mrs W jointly owned to be surrendered without her permission and the proceeds paid solely to the other owner.

What happened

In 1982 Mrs W and her husband, Mr W, took out a whole of life policy with a sum assured of £25,000 and initial premiums of £27.41. Around 2002 Mr and Mrs W separated. In 2018 the policy was surrendered and around £20,000 was paid to Mr W's bank account. In 2024 Mrs W got in touch with Zurich to enquire about the policy and was told it had been surrendered. She complained as she didn't remember being told about the surrender, and had she been told she wouldn't have agreed for it to be paid to Mr W solely. Zurich didn't uphold the complaint in summary because:

- They no longer held the completed surrender form on file, but it would have had to be signed by both Mr and Mrs W based on their procedure at the time.
- They had received a call on 21 February 2018 about the surrender from a mobile number ending 772, which they said was the same as the mobile number Mrs W had called them from in 2024.
- On 1 March 2018 they'd called Mrs W to check the surrender and left a voicemail. They sent a letter asking Mrs W to call them. Later the same day they received a call from a landline ending 009, from Mrs W confirming she was happy for the surrender value to be solely paid to Mr W. So overall they felt they'd made sufficient checks prior to actioning the surrender.

Mrs W complained further as she'd discovered Zurich had sent a letter about her complaint to Mr W, and she argued that the mobile number wasn't in use in 2018. Zurich apologised for sending the letter to Mr W and later explained they'd made an error about the phone numbers in their initial reply to the complaint and the mobile number shouldn't have been quoted. As Mrs W remained unhappy, she referred the complaint to our service.

An investigator considered the complaint and didn't uphold it, as the time since surrender meant there was a lack of call recordings and documentary evidence. He noted that Zurich had written to Mrs W on 1 March 2018 about the surrender, so he found she would have been aware of it. Though he found that Zurich had made errors in the communication with Mrs W during the complaint, he didn't ask them to do anything to put that right.

Mrs W disagreed, pointing to the fact it is illogical that she'd allow such a value to be paid to Mr W when they'd been separated for so long. While the investigator accepted that, he explained that it didn't mean Zurich had done something wrong. As no agreement could be reached, the complaint was passed to me for a decision. Since that time, Mrs W has sadly passed away and her son, Mr W2, is complaining on her behalf.

I sent a provisional decision setting out my findings, as follows:

My provisional decision

“Before I go into my findings it will be helpful if I outline the approach I’ve taken and what our service is designed to do. We aren’t the police or otherwise a part of the criminal justice system – so I can’t investigate whether the surrender request itself was fraudulent. Rather my role is to decide whether Zurich acted fairly and reasonably when they received the surrender request, bearing in mind any relevant rules and guidance in place at the time.

I’ve begun by considering the terms and conditions of the policy, as these set out the agreement between Mrs W and Zurich, including how the policy could be surrendered. Section 4 (b), entitled ‘Surrender Value’ says:

“The Policy may be surrendered at any time for an amount equal to the cash value of the Units... following receipt by the Company of written notification to surrender in a form prescribed by it.”

Section 5, entitled ‘Claims Provisions’ says:

(a) “Persons entitled to payment: Unless otherwise stated in the Schedule, the Policy was issued to the Lives Assured and:

(i) on the death of the first Life Assured to die the benefits are payable to the surviving Life Assured or his executors, administrators or assigns; and otherwise:

(ii) the benefits are payable to them, their executors, administrators or assigns.

If the Policy is held in trust the benefits are payable to the Trustees.

(b) Claims procedure. No benefit will be payable by the Company until the Company has received the Policy, a duly completed claim or surrender form, and due proof of the title of the claimant;”

This tells me that it was agreed the policy could be surrendered by Mr and Mrs W as the lives assured and that Zurich would check the person asking for the money was entitled to it. They would also set out the way in which the surrender could be requested, and the process that would be followed. So, I’ve then turned to the process that Zurich had in place for surrender in 2018 including any security procedures. The relevant parts of Zurich’s procedure included the following as necessities:

- Receipt of a surrender form signed by all policy owners.*
- If the request was to pay one owner out of two, then they would first try to speak to the other owner – in this case Mrs W. If contact by phone couldn’t be established, then a letter would be sent to that party. Zurich would need their permission to proceed with payment.*

The general purpose of asking questions when someone surrenders an investment, is to help prevent the investment being fraudulently surrendered. I’d expect Zurich to have systems and controls in place to protect consumers, and to act in line with good industry practices in this regard. However, it’s worth noting that a business could do everything correctly and in the best way, and a consumer could still have been the victim of fraud. They can’t provide absolute protection against it.

Unfortunately, we don’t have a lot of the evidence that Zurich had available when the surrender took place. This isn’t unusual – it was more than six years after the surrender when Mrs W got in touch with Zurich, and it’s common for firms to have incomplete records after such a long time. So, I can’t agree that the lack of evidence indicates any wrongdoing on Zurich’s part. However, it does mean that I don’t have the surrender form, or the call recordings of the key calls that took place in February 2018 and on 1 March 2018.

I need to make a finding as to whether it was reasonable for Zurich to believe they had permission from Mrs W for the surrender to take place. Where I don't have full evidence, I need to make that decision based on the balance of probabilities – essentially that I'm more than 50% sure of my conclusion.

The call notes I've seen show the call in which permission was given came from Mrs W's landline number ending in 009. Zurich were aware at the time that Mr and Mrs W lived at different addresses. In my view, it's reasonable for Zurich to have concluded that it was less likely Mr W could interfere with any calls to or from a landline number at Mrs W's address. In order to proceed with the call, I find it likely that Zurich will have asked security questions, as this is a standard part of any call to or from a customer. Those would have needed to be answered correctly before the permission to surrender could be given.

I appreciate that Mrs W has said she thinks someone may have impersonated her at her address. This is where Zurich is limited in being able to entirely prevent fraud – if that's happened and the person was able to successfully answer all security questions, then that's outside Zurich's reasonable span of control. I'm satisfied that it's more likely than not that Zurich took reasonable steps to ensure they were speaking to Mrs W about the surrender. They had a reasonable basis for believing they had her permission to surrender the policy and pay the proceeds to Mr W.

In addition to this, on 1 March 2018 prior to that call Zurich wrote to Mrs W. The letter was correctly addressed so I think it's more likely than not that it would have been delivered to Mrs W. It said:

"I have tried to contact you today to confirm some details before we can complete your surrender request, but unfortunately you were unavailable. Please can you call us on... at your earliest convenience, in order for us to process your recent request on the above plan."

So, this would have been an added layer of protection – if Mrs W didn't know about the surrender request already, on receipt of this letter she would have been made aware of it. She didn't question it at that time and so Zurich had no reason to believe there was anything wrong.

Overall, I'm satisfied that Zurich likely had all the evidence they would have reasonably needed to make a finding that Mrs W was aware of the surrender and had agreed for Mr W to be paid the proceeds.

Turning now to the customer service that Mrs W received in the course of her complaint. Firstly, Zurich sent a letter to Mr W's address, intended for Mrs W, which caused her distress. That isn't in line with Zurich's duties to keep her data safe, or in her best interests, given they were aware of the circumstances.

Secondly, in their letter of 9 December 2024 Zurich gave incorrect information about the phone number used by a caller in February 2018. This caused confusion and inconvenience as Mrs W had to point this out to Zurich – and even when she did, the initial reply she received on 19 December 2024 remained defensive. It wasn't until more than a month later, on 27 January 2025, that Zurich admitted the error. Understandably, this caused Mrs W to lose trust in Zurich's explanation and caused her to be more worried about the other information she'd been given about the surrender.

In my view it's clear that Zurich's caused some distress and loss of trust here that warrants compensation. I'm satisfied that an amount of £300 is fair and reasonable in these circumstances."

Replies to my provisional decision

Zurich accepted the findings and agreed to pay £300.

Mr W2 didn't accept – he said, in summary, that it's not reasonable to find that Mrs W would have agreed to Mr W receiving the surrender proceeds, given their circumstances. The fact errors were made in the course of the complaint shows that Zurich is more likely to have made mistakes in 2018. He said the onus should be on Zurich to prove they had Mrs W's permission and they've not been able to do that, as they don't have the relevant evidence.

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, including careful consideration of Mr W2's further comments, I've not been persuaded to depart from the findings I reached in my provisional decision and will explain why.

There are a number of reasons why a separated couple may wish for one party to receive the surrender value, rather than both. For instance, it could be because of an agreed financial settlement following a separation. I can see that Mr W2 strongly feels that Zurich ought to have known Mrs W wouldn't ever agree to Mr W receiving the full surrender value, because they knew that she and Mr W were separated. But I don't agree that Zurich should have automatically concluded that. In my view, Zurich didn't need to understand the reasons why joint owners wanted the money paid to just one of them. Zurich just needed to be reasonably sure they had consent from Mrs W for that to happen.

It's clearly very frustrating for Mr W2 that not all evidence is available, and I can understand why he feels that way, but Zurich doesn't need to keep all evidence indefinitely. I'm convinced that a surrender form signed by both parties would more likely than not have been provided, as this is the central part of the process. The call notes I've seen, prove that calls took place with someone based at Mrs W's house, as they called the landline number.

I appreciate Mr W2 has lost trust in Zurich due to the errors made during the complaint process. I don't think it's fair to say that proves significant errors would have been made at the time of surrender, as the members of staff involved would have been different and there was a long time between the two events. The evidence I've seen persuades me that the proper process was followed in 2018 and that Zurich took reasonable steps to get Mrs W's permission to pay the proceeds to Mr W.

Zurich did make errors during the complaint, and I remain satisfied that £300 is fair compensation to make up for the concern and confusion caused.

I have a great deal of sympathy for what Mrs W went through when she began looking into this issue in 2024, and for Mr W2 in dealing with this, especially at such a difficult time. As set out above, it's not that I disbelieve Mrs W, simply that I can't investigate whether a third party has committed fraud, or fairly blame Zurich for Mrs W not receiving the surrender proceeds in these circumstances.

My final decision

I uphold the complaint in part. Zurich Assurance Ltd should pay Mr W2 on behalf of the estate of Mrs W £300 for the distress and inconvenience caused.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr W2 on behalf of the estate of Mrs W to accept or reject my decision before 10 April 2026.

Katie Haywood
Ombudsman