

The complaint

Mr W has complained that Phoenix Life Limited that the surrender value on his HealthMaster policy was nil.

What happened

The background of the matter is well known to the parties, so I won't repeat it again here. In summary Mr W has said that the policy documentation given to him in 1992 was misleading and the impression given was that there would have been some cash benefit.

Our investigator didn't recommend that the complaint was upheld. Mr W appealed.

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 agree with the conclusions reached by the investigator for these reasons:

- Mr W took out a HealthMaster policy in 1992. The policy is designed as a protection plan rather than a savings plan. Mr W feels that the language used in the documentation and by the salesperson was misleading. As sale was over thirty years ago I have looked carefully at the documentation from the time to see if the plan recommended was suitable and that the information provided was clear, fair and not misleading.
- The adviser completed a fact find, asking for the three most important items to be numbered in order of priority. The items were: retirement planning, family protection, mortgage arrangements, income protection, private health care, savings for the future, capital investment, inheritance tax planning, critical illness cover and contents insurance. The only item numbered was income protection as '1'. I find it more likely than not that this followed a discussion with Mr W, I can see that he signed a declaration confirming that the information contained in the financial assessment was correct. The adviser recommended an income protection plan, I'm satisfied that was suitable in the circumstances.
- The policy document sets out the nature of the policy as follows:

This policy is issued by (insurer) and is a non-qualifying life assurance, providing Disability Benefits in the event of the disability of the Life Assured in addition to providing Death and Maturity Benefits.

However no maturity benefits are guaranteed. The policy explains that costs and charges, such as the policy fee, morbidity charge and annual management charge are deducted from the premium Mr W was paying. In Mr W's case the charges made meant that the policy did not have a surrender value when the policy was cancelled.

- The sales brochure does make clear that the main purpose of the plan is to provide an income if the policyholder should suffer from an illness that prevents them from working. But it did include a paragraph with the heading: *Is there any benefit payable when my plan ends?* The answer explained: *The cash value is the bid value of units; the amount is not guaranteed and depends upon the value of underlying units which can go down as well as up.* So, although I can see why Mr W might have expected that there would be a surrender value, I'm not persuaded that the documentation would have given him the impression that this was principally a savings plan, or that a surrender value was guaranteed.
- I haven't disregarded Mr W's submission that he was told that there was a financial cash benefit that could pay out. This is not at odds with his policy – if he had claimed income protection benefit the policy would have responded to an eligible claim.
- I do understand that Mr W thought that there was a savings element and would have been disappointed when he became aware there was no surrender value. But as the documentation does not say that this was the purpose of the policy, or that any surrender value was guaranteed, I don't find Phoenix Life has done anything wrong. It follows that there is no basis for me to require Phoenix Life to return the premiums Mr W paid, not least because it has been on risk and any eligible claim for protection benefit would have been met.

My final decision

For the reasons given above I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr W to accept or reject my decision before 11 January 2024.

Lindsey Woloski
Ombudsman