

The complaint

Mr S' complaint is about a mortgage endowment policy he had with Zurich Assurance Ltd. He is unhappy that the value of the policy dropped during 2022 as he understood that by that point in the term, it would no longer be invested in a risk-based environment. In addition, he is unhappy that when he decided to surrender the policy in December 2022, there was a delay in the process.

The policy involved in this complaint was taken out with a different life assurance company, but as the policy was subsequently transferred to Zurich and it is responsible for the acts and omissions complained about, I will refer to it throughout.

What happened

Mr S took out a unit-linked mortgage endowment policy in 1998 with a sum assured of £53,000. It was invested in a managed fund and had a term of 25 years.

The policy booklet given to Mr S at the time of the sale doesn't include any mention of Zurich automatically altering the funds in which the policy invests.

From 2000 mortgage endowment providers were required to provide policyholders with regular updates on the expected performance of their policies. In Mr S' case, in the years running up to the maturity of his endowment policy, he received a mixture of letters saying either his policy was expected to reach its target value or that there was a significant risk of it falling short of the target value.

The most recent Mr S received before surrendering the policy was dated 2 March 2022, which told him the policy was on track to pay out the target value, although at the lowest growth rate it was still predicted to fall slightly short of its target. The letter included a section titled *'Action you could take if you are concerned about the possibility of a shortfall in the future – the options'*. One of those options was to switch the fund being invested in. It went on to explain *'As you get closer to your maturity date you may want to switch your investment into a more cautious fund so you have a better idea of the actual amount you may receive on the maturity date.'* Zurich has provided evidence this information was contained in the annual review letters sent to Mr S as far back as 2012.

In December 2022 Mr S was sent a maturity pack giving him the options of taking the policy value (which at that point was just over £49,700) or extending the term by ten years. Following this Mr S complained about the drop in value that had occurred over the preceding months. He mentioned that by that point in the term he would have expected the value of the policy to have been in cash. Mr S told Zurich to surrender his endowment policy. He's told us he did so in order to prevent the value he received reducing further. The surrender was not processed until 12 January 2023, but the amount paid to Mr S was calculated as at the date of the surrender request.

Zurich responded to the complaint in its letter of 17 January 2023. It explained how the value of the policy was calculated. It also acknowledged that Mr S' surrender request had been overlooked and apologised for that happening. It was confirmed that the value Mr S received

had been calculated as at the date he had made the surrender request, so he hadn't suffered a financial loss because of the delay. In addition, Zurich paid Mr S £105, comprising of £5 for the cost of telephone calls and £100 compensation for the distress and inconvenience the poor service had caused him.

Mr S didn't accept Zurich's response and referred his complaint to this service. When we informed Zurich that was the case, it objected to us considering the aspect of the complaint regarding the value of the policy as it considered it had been made too late under the time limits contained in our rules. Zurich highlighted that Mr S had been compensated in 2005 for the policy having been mis-sold due to the risks involved, along with the fact that from 2018 he was told that there was a significant risk the policy would fall short of the target amount. As such, Zurich considered Mr S had been aware of the cause for complaint about the falling value of the policy more than three years before he complained.

One of our Investigators considered Zurich's comments about our jurisdiction, but he was satisfied the complaint was one we could consider all parts of. However, when he considered the merits of the complaint, he didn't recommend that it be upheld.

Zurich made no further comment or objection about our jurisdiction to consider the complaint or its merits at that point.

Mr S didn't accept the Investigator's conclusions about the merits of the complaint. He said that at the very least the delay in surrendering the policy had impacted the value he received. In addition, he questioned why Zurich had invested his policy in high-risk areas, when there was the risk it could lose money. Mr S also said that it wasn't explained to him that he could 'de-risk' the policy himself, and also reiterated that he was told that during the life of the policy the fund holding would gradually move to lower risk investments with more secure returns.

Another of our Investigators reviewed the complaint in light of the further evidence Mr S provided and his additional comments. She wasn't persuaded to alter our stance on the merits of the complaint.

Mr S remained unhappy and as such it was decided that the complaint should be referred to an Ombudsman for consideration. At that point, Zurich asked that the Ombudsman consider the matter of our jurisdiction. I did so, and I concluded the complaint was one that we could consider. I issued a decision setting out my conclusions and explaining my reasons for reaching them.

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.

Mr S has said that he believed his endowment policy included the provision whereby Zurich would automatically switch his investment to lower risk funds as it approached maturity. While the type of arrangement Mr S has mentioned is available on some mortgage endowment policies, it was not a feature of Mr S' policy. I am not persuaded that the information Mr S was provided with at the time of the sale of the policy or subsequently, should reasonably have led him to believe that there was such an arrangement. As such, I can't find that Zurich did anything wrong in its administration of the policy in this regard.

While not key to the outcome of this complaint, for completeness, I will respond to a recent question Mr S asked. This being what he pays Zurich a fund management fee for. The fund management fee is the charge made for deciding upon and then managing the assets held

within individual funds. It is not paid for the costs associated with the policy existing (including its initial design) and its administration, which switching funds would be.

Zurich has evidenced that it paid Mr S the surrender value of the policy as at the date he made his request. As such, he received the value he was entitled to, despite there being a delay in processing the surrender. However, as Mr S has highlighted, the process was delayed slightly, and he has asked that he receive interest for the almost three weeks the processing took. I can understand why he has asked that, and there will be situations where delays are such that we would consider interest should be added to a payment. However, we take into account the exact circumstances and in this case, I am not persuaded that Zurich should add interest.

I say this as Mr S asked for the surrender on the Friday before a weekend that was immediately followed by the Christmas bank holidays. Taking the bank holidays into account, the surrender took eleven working days. Surrenders will always take time to process, and most life assurance companies have a service standard of between five and ten working days for *normal working situations*. Mr S' request was not made during a normal working period as the Christmas break would have involved lower staffing levels than usual. As such, I am not persuaded the processing took much more time than it ordinarily would have at that time of year. So it wouldn't be appropriate for me to require Zurich to add late payment interest to the surrender value.

That said Zurich has paid Mr S £100 for any upset or inconvenience he was caused during the surrender process. I have considered this carefully and given the circumstances, I am satisfied that is an appropriate amount.

My final decision

My final decision is that I don't uphold this complaint. Under the rules of the Financial Ombudsman Service, I am required to ask Mr S to accept or reject my decision before 30 October 2023.

Derry Baxter
Ombudsman