

The complaint

Mr M complains that the surrender value of the whole of life policy he holds with Liverpool Victoria Financial Services Limited ('LV') has fallen since the valuation in November 2021.

What happened

Mr M holds a non-reviewable whole of life with-profits policy with LV. The policy was made paid-up in 2017 and no further premiums were due after this date. Mr M requested a surrender value in November 2021 and when he compared this to a valuation he requested in September 2022, the surrender value had fallen significantly.

Mr M complained and LV didn't uphold the complaint. LV said the surrender value changed because it had reviewed the methods behind the calculation for policies like Mr M's and the way it calculates policy values now is fairer for all of its members and takes into account premiums paid.

When Mr M brought the complaint to the Financial Ombudsman Service one of our Investigators looked into things. The Investigator thought the changes made by LV are permitted by the terms of the policy and there's no regulatory requirement for LV to inform Mr M of those changes prior to them being implemented. Mr M asked that an Ombudsman decides the complaint.

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.

I appreciate Mr M has very strong feelings that the reduction in the surrender value of the policy is unfair, but for very much the same reasons as the Investigator I've decided LV didn't do anything wrong. I will now explain why.

LV is entitled to change the way it calculates bonuses and how they are paid. In this case, LV says it changed the way it determined and paid its bonuses in order to allocate profits more fairly among policyholders. LV says this reflects more closely the premiums that each customer has paid and the insurance cover they have received. The policy is designed to grow by the addition of regular bonuses and a discretionary final bonus, neither of which is guaranteed - although once added regular bonuses can't be taken away. In Mr M's case I'm satisfied LV added regular bonuses until the policy was made paid-up in 2017 – and these haven't been taken away

I empathise with Mr M that the valuation reduced after LV changed the way it calculates bonuses on the policy, but the bonuses were never guaranteed. There is a death sum assured within the policy and LV can add bonuses to the policy based on investment performance - this is still the case. In August 2022 LV made a commercial decision to ensure all policyholders receive a fair share of profits based on the amount invested, the length of time the policy has been in place and claims history. I've seen that prior to August 2021, the surrender value of the policy would have been the same as the death benefit. After the

change, the death benefit is now likely to be higher than the surrender value. LV say this more fairly reflects the original purpose of the policy, which was to provide a pay-out on death. I don't consider this is unfair or unreasonable to LV policyholders.

I empathise with Mr M that the surrender value has fallen as a result of these changes, but I don't think LV has done anything wrong as it has taken steps to make the distribution of profits fair to all of its policyholders.

My final decision

For the reasons I've detailed above, I've decided not to uphold Mr M's complaint about Liverpool Victoria Financial Services Limited.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 26 October 2023.

Paul Lawton
Ombudsman