

The complaint

Mr and Mrs A complain about the maturity proceeds they received from Zurich Assurance Ltd when their endowment policy matured in October 2022.

What happened

Mr and Mrs A had a 25 year endowment plan which commenced on 1 October 1997 and required a monthly contribution of £157.28. The units were all invested in the Zurich Managed G4 AL Fund and the policy would mature on 1 October 2022. In total Mr and Mrs A paid around £28,300 into the plan.

In June 2022 Zurich wrote to Mr and Mrs A with two options on maturity of the plan – to encash it or extend it by ten years. At the time of the letter, the plan was worth £77,909.63 – but Zurich made clear that this value was not guaranteed and could be subject to fluctuations before maturity. Mr and Mrs A opted to encash the plan at maturity, and the proceeds were paid out to them just after 1 October 2022.

Unfortunately, on 23 September 2022 an announcement by the then UK Government caused widespread volatility in financial markets, and had a negative effect on all major UK indices. Mr and Mrs A's plan was still invested in the managed fund, which was primarily invested in UK equities, and as a result the plan suffered a significant drop in value. Mr and Mrs A received £74,049.86 and complained.

Zurich looked into their complaint, but didn't think it had done anything wrong. In short, it explained that the plan had been managed in accordance with the terms and conditions, and the final maturity value was never guaranteed. It explained the economic conditions shortly before the plan matured, and said that this was the unfortunate cause of the significant drop in the plans value. It said that this wasn't something it had any control over, and therefore didn't consider it ought to pay any compensation.

Mr and Mrs A remained unhappy and referred their complaint to this service. One of our investigators looked into the complaint, but didn't think it should be upheld. In summary, she considered the plan had been administered correctly and was satisfied by Zurich's evidence as to what the plan was worth on maturity and how the units had been calculated. She didn't consider she needed further evidence to substantiate the value of the plan.

Mr and Mrs A disagreed and asked for an ombudsman to decide the matter.

They said that Zurich had taken nearly £500 since the June 2022 letter and 'at the 11th hour deducted another £4,500 in 3 months'.

They said they had not seen any real evidence 'from the actual investors, just internal charts'. They said that they required 'external proof from investors, not just Zurich internal charts etc'. Mr and Mrs A reiterated that they wanted to see 'solid external proof from investments' to demonstrate why their plan had dropped in value at maturity.

As agreement couldn't be reached, the case was passed to me to decide.

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 think it's important I emphasise at the outset that I completely understand why Mr and Mrs A are dissatisfied. It's entirely understandable that a drop of almost 5% in 3 months would've come as shock at the time. Unfortunately, though, there is no further evidence which would satisfy Mr and Mrs A that the plan was in fact worth the sum they received on maturity and therefore I don't have much to add to what the investigator has already said. I'm not clear what further 'external' evidence Mr A has said he needs to see, because all of the information he has been provided consistently demonstrates that the drop in the value of the plan was down to the unfortunate timing of the plan's maturity.

Mr and Mrs A were provided with the unit price changes in the last 12 months, as well as the performance of the fund versus the sector average. The Zurich Managed G4 AL fund, which is what their plan was invested in, has publicly available information that shows what it is worth at any given point in time. For example, I've checked the fund's performance in the three months August 2022 to October 2022, and it shows a drop of 4.8% during that period.

This all means that I'm persuaded by Zurich's explanations, and by the evidence it has provided, in relation to the way they administered Mr and Mrs A's plan and the way the maturity value was calculated. I'm satisfied that the government announcement about a week before the plan's maturity, had a disproportionate effect on the value of Mr and Mrs A's plan – but this was not something Zurich was responsible for mitigating or taking any action on. Obviously Zurich had nothing to do with these external events either.

For all these reasons, whilst I entirely appreciate why Mr and Mrs A remain unhappy with the amount they received, I don't consider Zurich has treated them unfairly. I'm therefore not satisfied it would be fair and reasonable to uphold this complaint or award any compensation.

My final decision

My final decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr A and Mrs A to accept or reject my decision before 16 October 2023.

Alessandro Pulzone
Ombudsman