

The complaint

Mr and Mrs N's complaint is about the maturity of a mortgage endowment policy they held with Scottish Widows Limited trading as Clerical Medical.

What happened

Mr and Mrs N took out their endowment policy in 1992 over a 30-year term. It had a maturity date of 22 April 2022. At that time Scottish Widows' records showed the policy had been assigned to multiple lenders, all of which had to confirm whether they still had an interest in the policy before the maturity value could be paid out. Unfortunately, this was a mistake and only two of the assignments had actually existed.

Scottish Widows wrote to Mr and Mrs N on 23 February 2022 to remind them their policy was due to mature. It explained that its records showed the policy was assigned to multiple lenders and before it could pay out, it had to check if those assignments were still in place. Scottish Widows confirmed it had written to all of the lenders involved.

Mr and Mrs N's then current lender was sent a copy of the above letter on the same day. The letter was sent to the address Scottish Widows had on file, which was still an administration centre for the lender's business, but not at that time one that dealt with mortgages. Mr and Mrs N became aware that the letter hadn't been sent to the lender's mortgage administration centre, and they provided Scottish Widows with the correct address – this was done on 4 July 2022. Scottish Widows wrote to the lender again.

On 6 July 2022 Mr and Mrs N's lender acknowledged Scottish Widows' letter and asked that maturity forms be sent to it for completion. It also confirmed it didn't hold the original policy documents. Scottish Widows sent the lender the requested documentation and the completed maturity form was received back on 19 August 2022.

On 14 September 2022 Scottish Widows sent the maturity proceeds to Mr and Mrs N's lender. Scottish Widows quoted the roll number it was told to when the lender requested payment be paid to it – there was no other reference number detailed on the form for Scottish Widows to use. The funds were returned to Scottish Widows on 20 September 2022, apparently as the mortgage number was not quoted in the transfer instruction. The payment was reissued to the lender on 17 October 2022 with both the roll number and a separate reference number. The payment went through correctly.

Mr and Mrs N complained to Scottish Widows about the delays they experienced in attempting to have the maturity value paid to their lender.

On 23 September 2023 Scottish Widows responded to the complaint and upheld it. It explained that before a maturity could be paid out, it had to check with all assignees that an interest was actually held, and if not, request a letter of no further interest. It then acknowledged that an administrative error had created additional assignees on the policy records – that there should have only been two – it established this was the case on 27 May 2022. It detailed the responses from the actual assignees and confirmed it had been

unable to move forward with the maturity payment until after 19 August 2022. Payment was then made and should have been received within five working days.

Scottish Widows went on to say that it was willing to consider reimbursing Mr and Mrs N for any additional costs and interest they incurred on their mortgage because of any delays. Scottish Widows reimbursed the cost of the telephone calls Mr and Mrs N had made to it while trying to sort out the problem. It also paid them £150 for the delay in the complaint having been dealt with and £300 for the inconvenience they experienced.

Scottish Widows sent Mr and Mrs N a further response in a letter of 21 October 2022. It upheld the complaint about delays in resending the maturity funds to their lender and the general service they'd received. It paid them a further £150 compensation.

Subsequently, Scottish Widows reimbursed the mortgage interest payments Mr and Mrs N made between the policy maturity date and the date their lender received the maturity value.

Mr and Mrs N weren't happy with Scottish Widows' responses and referred the complaint to the Financial Ombudsman Service. Following doing so, they said that while they had been reimbursed the cost to them of the delays, they didn't see why they shouldn't also receive simple interest of 8% on the maturity value too. They said in their mind the mortgage interest reimbursement should be regarded as a penalty.

One of our Investigators considered the complaint, but he didn't recommend that it be upheld.

Mr and Mrs N didn't accept the Investigator's conclusions. They said they didn't feel he had addressed or sought to remedy the stress and anxiety caused during the process of getting the maturity proceeds paid out. They said that the fact that the Investigator didn't feel they should be compensated for the delay in receiving funds at market rate of interest was an anathema to them. They said their mortgage could have been repaid in April 2022 out of savings, but they chose not to, fearing that the endowment policy had been a complete scam. As such, not to award interest on the funds for the period of the delay was unacceptable, regardless of where the funds were remitted. In light of this, they asked that the complaint be referred to an Ombudsman.

Scottish Widows accepted the Investigator's conclusions and confirmed it had nothing further to add, following being told the complaint was being referred to an Ombudsman.

I issued a provisional decision on 1 November 2023 in which I set out my conclusions about Mr and Mrs N's complaint, and my reasons for reaching them.

'Before I comment on the merits of this complaint, I would confirm the Financial Ombudsman Service is independent and impartial; we do not represent the interests of businesses, nor are we consumer champions. We do not supervise, regulate or discipline the businesses we cover. As such, my role isn't to punish or penalise businesses for their performance or behaviour – that's the role of the Regulator – the Financial Conduct Authority. My role is to see if Scottish Widows acted fairly and reasonably in its dealings with Mr and Mrs N. Following on from this, when we consider the appropriate redress in a case we propose to uphold, we aim to place the consumers in the financial position they would have been in, but for the error(s) on the part of the financial business. In this case I don't need to consider whether errors were made, as Scottish Widows has upheld the complaint already about delays having been caused. So all I need to do at this point is consider what it should have done to place Mr and Mrs N in the correct position and compensate them for any upset or inconvenience they have suffered.'

I would also confirm that when we make awards of interest, we look at what actually

happened. If it is not clear what would have happened to money that should have been paid out, but a consumer has been deprived of the use of, we will award the 8% simple interest that Mr and Mrs N have asked to be paid on the maturity value of the policy. However, where it is clear what would have happened to the funds, 8% simple interest is not usually the appropriate rate to award.

Scottish Widows has confirmed that only two of the assignments it had registered against the endowment policy were valid and should have been attached to its records. However, irrespective of the additional lenders it wrote to, it would always have had to write to the two lenders that potentially had valid assignments, as if those assignments were valid, it affected where Scottish Widows had to pay the maturity value. The first of the lenders wrote back to confirm that it no longer had an interest in the policy in May 2022. However, Mr and Mrs N's then current lender didn't respond until July 2022, following further correspondence being sent to it.

I note that Mr and Mrs N have highlighted that the initial correspondence was sent to an incorrect address for their lender. While this doesn't alter the outcome of this complaint, I think it would be helpful to explain at this point that when an assignment is recorded it will be recorded using the address the instruction came from. It is not unreasonable for a life assurance company to subsequently use that address when corresponding with the lender. While the relevant address was no longer a mortgage processing centre in 2022, it was still a valid address for an administration centre for the lender. It is not unusual for financial institutions that have various administration sites to change their function over time. It would be expected for correspondence to be transferred to the relevant department in such circumstances. I also note that the correspondence from Scottish Widows was not returned to it.

As such, until Scottish Widows received the maturity forms in August 2022, it was unable to pay out the maturity value. So, the position Mr and Mrs N would have been in up to that point is that they would still have had a mortgage debt and been paying interest. Scottish Widows would then have processed the maturity and transferred the money to the lender. This should not have taken the time it did, but it would still have taken a few days for the administration and up to five working days for the transfer to reach Mr and Mrs N's lender through the banking system.

As such, the financial position Mr and Mrs N would have been in was that they would have been paying mortgage interest until toward the latter part of August 2022, but they would then have made no further payments. In light of this, they would have been considered to have been deprived of the use of the interest payments made after the date the maturity payment should have been processed in August 2022 until they were reimbursed. We would usually expect 8% simple interest to be paid on the refunded interest payments.

Scottish Widows has reimbursed Mr and Mrs N for the payments they made after their mortgage would have been paid off, as it should have, but also for those made before that back to the maturity date. So while Scottish Widows has not paid interest on the reimbursed mortgage payments from August 2022, it is likely that in reimbursing the earlier mortgage payments, it has likely placed them in a better financial position than they would have been in. As such, I don't consider that Scottish Widows needs to make any further payment to Mr and Mrs N for the loss of use of the maturity value.

The only other financial loss involved in this case is that of the cost of the telephone calls that were made by Mr and Mrs N to chase up the maturity. Scottish Widows paid Mr and Mrs N £38.20 in this regard. They haven't said that it was insufficient, and so I can only conclude it was an appropriate payment in the circumstances.

In light of this the remaining issue is the amount Scottish Widows paid Mr and Mrs N for the upset and inconvenience they suffered. In total, Scottish Widows has paid them £450 for issues with the process of paying out the maturity value, plus an additional £150 for the added upset the delays in responding to their complaints would have caused them, given the circumstances.

Before I consider the amounts Scottish Widows has paid out to Mr and Mrs N, I would explain that our rules set out the matters that we can look at as being; regulated activities, payment services, lending money, paying money by plastic card, and ancillary banking services. In addition, we can consider complaints about ancillary activities carried on in connection with the above.

The handling of complaints is not itself a regulated activity. It's something the Regulator requires financial businesses to do, but that isn't enough to make it a regulated activity within the meaning of the rule. However, we are able to consider concerns about complaint handling in some limited circumstances, for example, if we're upholding the underlying complaint that a consumer believes was mis-handled. Here, given the concerns associated with the complaint handling are the same as the underlying complaint – delays and poor service - I consider the issue of complaint handling is an ancillary issue we can look into.

Mr and Mrs N said in response to the Investigator that they didn't think he had addressed or sought to remedy the stress and anxiety caused during the process of getting the maturity proceeds paid out. When considering this issue, I can only take account of the effect that the mistakes Scottish Widows made, not the general situation. There was always going to be the possibility that the maturity value wouldn't be paid immediately because of the genuine assignments on the policy. Scottish Widows only directly caused some of the delay between the maturity date and payment date in this case. That said, there were delays and mistakes in Scottish Widows' handling of the administration of the maturity payment, and the delays in the complaint handling would have compounded the upset those issues had already caused. However, and I know that Mr and Mrs N are unlikely to accept my conclusion in this regard, I am satisfied the £600 Scottish Widows has paid them in this regard is sufficient and if it had not been paid, I would have been unlikely to have awarded more.'

Mr and Mrs N said they were disappointed with my provisional decision as they don't think it addresses the delay in them receiving their policy proceeds or the stress and anxiety they were caused. Mr N also asked to be paid for the time he spent making calls and writing emails to Scottish Widows and considered the £38.20 was inadequate based on how much he is paid per hour.

Scottish Widows didn't respond to my provisional decision, but I am satisfied it received it.

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 would confirm that the amount Mr and Mrs N were paid for telephone calls was not a sum to reflect the time spent communicating with Scottish Widows, but rather the actual cost of the calls made. If the costs Mr and Mrs N incurred were more than that for the calls they shouldn't have needed to make, it would be reasonable for Scottish Widows to pay the additional costs. However, they have confirmed they are unable to evidence the cost of the calls made and so it would not be reasonable for me to make a further award in this respect.

Mr N has asked to be paid for the time he spent making telephone calls and sending emails before the maturity value was paid out. I can understand why that would be the case,

however, we don't ask financial businesses to pay consumers for time spent dealing with situations and complaints as Mr N has suggested. However, we do consider the time and effort a consumer spends on trying to rectify a mistake made by a financial business when deciding if they have suffered any non-financial loss. I won't repeat what I have said about the circumstances of the maturity in relation to what needed to happen before Scottish Widows was able to pay out the maturity value, but I remain satisfied the compensation already paid is adequate, given the circumstances.

My final decision

My decision is that I do not uphold this complaint. Under the rules of the Financial Ombudsman Service, I am required to ask Mr and Mrs N to accept or reject my decision before 29 December 2023.

Derry Baxter
Ombudsman