

The complaint

Mr S has complained about ReAssure Limited (ReAssure). He said on several occasions, it gave him a surrender value on his family income protection policy, but when he went to surrender the policy, he was told his policy didn't have any cash value.

Mr S said it is unacceptable that ReAssure has made this error and he has asked that it honours the surrender value on the statements it has sent to him.

What happened

Mr S until recently, held a family income protection policy with ReAssure. He took the policy out initially in 2007 with a third party and it migrated to ReAssure to manage. The policy was designed to give Mr S cover against illness, and it protected his income.

Mr S received annual statements from ReAssure and from 2021, he was given a surrender value. On his November 2022 statement for example, ReAssure gave Mr S a surrender value of around £8096.

Mr S contacted ReAssure to enquire about surrendering the policy in January 2023, and it provided him with forms to fill out. Mr S said he received an update in February 2023 to be advised that the policy had no cash value. Mr S said he was shocked and surprised about this and had already planned to use the money. He complained to ReAssure about it.

ReAssure in response said it was incorrect when it said the policy had a surrender value. It said it got this wrong in the statements Mr S received from 2021. It said in the original policy document Mr S would have received, showed the policy has no surrender value. ReAssure said it was sorry for the misunderstanding. It initially offered £200 for the distress and inconvenience it had caused.

Mr S was not happy with ReAssure's response and referred his complaint to our service. He said he didn't want to accept ReAssure's offer and although it had already paid this amount to him, he had put it to one side.

ReAssure then offered Mr S a further £100 compensation, and he turned this down.

An investigator looked into Mr S's complaint. She said she wouldn't be asking ReAssure to honour the surrender value, that it provided in error, as the plan was never designed to provide one. She said ReAssure had offered £300 to Mr S but she felt it should pay £500 instead. She said ReAssure had caused considerable distress, upset and worry. She said the amount suggested was more in line with what we would normally award.

ReAssure agreed with the investigator's view and accepted it.

Mr S was not in agreement with the investigator's view. He said he was dissatisfied with the outcome. He said the offer of compensation for distress and inconvenience falls a long way short of a compromise. He said at the very least he should have the premiums refunded from 2021, as he would have cancelled the cover if he knew there wasn't a surrender value.

So as Mr S is not in agreement, his complaint has been passed to me, an ombudsman, to look into.

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 have independently reviewed Mr S's complaint and have come to the same conclusion as the investigator. I will explain why.

Mr S had a family income protection policy with ReAssure. He received statements in 2021 and 2022 that showed that his policy had a surrender value. Mr S went to surrender his policy but was told it didn't have a cash value and that ReAssure had misinformed him. ReAssure said it made a mistake and it has offered to pay £300 in compensation for the distress and inconvenience caused. Recently it has agreed to pay a higher amount of £500, after our investigator sent her view to the parties.

Mr S would like ReAssure to honour the surrender valuation that it provided to him on his statements, so I looked into this. ReAssure told our service that it changed the format of its statements in 2021, and it was at this point that it made a mistake and sent incorrect information to Mr S. So, I can see that when Mr S received the statements, he was receiving a clerical error. And it made this same mistake on several occasions. It continued to put a surrender value on letters and further statements it provided to him.

I can see that when ReAssure changed the format of its statements, it was at this point that it sent incorrect information. I say this because, recently our service has asked ReAssure to provide further information about what Mr S received before 2021. It has showed our service a statement that it said it sent from 2020. I've looked at this and can see there isn't a surrender value provided on it.

I have also read through the terms of the original policy document. Within these terms, it states there is no surrender value on Mr S's policy. I think when I see this and read about what happened here with Mr S's statements, I am satisfied that Mr S's policy is what ReAssure says it is. That it isn't designed have a surrender value. So, because of this, I don't think it would be fair or reasonable if ReAssure paid him a surrender value, something the policy doesn't have.

ReAssure said it made mistakes and has said sorry. It has offered to pay £300 and then more recently the £500 amount suggested by our investigator. I can see that errors it has made would have caused Mr S stress, as for a long period of time he would have been under the misapprehension that he was going to receive an amount of money once he surrendered his policy. But I can see that ReAssure did attempt to correct its mistake, took responsibility by apologising and offering compensation for it.

I think ReAssure should pay a further £300 to Mr S in addition to the £200 it has already made. I think this amount of compensation for the distress and inconvenience it has caused is fair and reasonable and in line with the sort of compensation I would award for cases similar to this one.

Finally, Mr S said ReAssure should refund the premiums he has paid from 2021. He said if he had known the policy had no surrender value, he would've cancelled it. He said he was in good health from 2021 and his children are now older. He said he kept the policy going because he thought he was going to obtain an amount when he surrendered his policy. I

acknowledge what Mr S is saying here. But I don't think I can fairly say the policy provided no use to him during this period. He was still eligible to claim benefit if it was needed. So, on balance, I don't agree that Mr S should be given his premiums back.

I appreciate that my decision will be disappointing for Mr S, as I know he felt he should have more compensation than I am awarding. I acknowledge the strength of his feelings in the submissions provided. But based on everything I have read and the findings I have given, I think ReAssure Limited should pay Mr S £500 in compensation, minus £200 that it has paid to him already.

My final decision

My final decision is that I uphold Mr S's complaint. ReAssure should pay Mr S £500 in compensation for the distress and inconvenience it has caused. It can subtract the payment of £200 it has already made to Mr S, from this.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 31 January 2024.

Mark Richardson
Ombudsman