DRN-4020574

The complaint

Mr S complains that Scottish Widows Limited didn't contact him when his policy matured. He has now received the maturity proceeds, plus interest and compensation, but he says the compensation does not take into account inflation, or the impact of the delay on his personal circumstances.

What happened

Mr S had a life assurance policy with Scottish Widows. It matured on 14 December 2000. Scottish Widows didn't contact Mr S about the maturity until November 2021.

Following his complaint, Scottish Widows paid Mr S the maturity value, plus interest at the rate of 8% simple, and £300 compensation.

Mr S asked for a breakdown of how the interest was calculated and said he should receive compound interest on the maturity payment.

Our investigator said Scottish Widows' calculation of compensation was in line with what this service would recommend and that we couldn't tell it to pay compound interest. Mr S accepted this and said he should instead receive today's equivalent of the maturity value of his policy, which he calculates to be around an additional £15,000.

The investigator thought Scottish Widows had put Mr S back in the position he'd be in now if it hadn't made a mistake. He didn't think it needed to consider the effects of inflation as well as paying 8% interest.

Mr S didn't agree. He said, in summary, that:

- He was denied use of the money for more than 20 years.
- He hasn't been compensated for the impact of inflation.
- The investigator hasn't considered what he may have done with the maturity proceeds in 2000. Or the fact that he could most likely have gifted the money with no inheritance tax impact.

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.

Scottish Widows should have contacted Mr S in or around December 2000 to tell him that his life assurance policy had matured. Scottish Widows accepts it made a mistake. I need to decide if the redress paid to Mr S is fair and reasonable.

As our investigator explained, when a business makes a mistake, our aim is to try to put the consumer back in the position they'd be in if the error hadn't been made. This isn't always straightforward, particularly in circumstances like Mr S's where he should have received the maturity proceeds more than 20 years ago.

It's difficult for me to say exactly what the cost is to Mr S of being deprived of the maturity proceeds. He told us he most likely would have bought a property for his children which by now would have substantially increased in value. And that if he gifts the money to his children now, they're far more likely to have to pay inheritance tax on it because of his advancing years.

I've considered what Mr S has told us, but it's difficult for me to conclude with any certainty what he would have done had he received the money when he should have. Although, from what he's told us, it seems he didn't need the money to repay a debt or to supplement his income, and it obviously wasn't earmarked for anything in particular, because he hadn't realised he was due to receive it.

The fact that Mr S says he most likely would have gifted it, suggests the impact of not receiving the money has primarily impacted a third party rather than himself. And my role doesn't extend to compensating individuals other than the eligible complainant. Also, whilst I understand his concerns about inheritance tax, I can't compensate him for something that *may* happen, and any gift he may decide to make will be treated as a potentially exempt transfer as it would have been in 2000.

So, whilst I accept the receipt of a lump sum in 2000 might have influenced a whole range of decisions about Mr S's spending, borrowing, or investing, I don't think there's evidence to show a quantifiable loss. In circumstances like this, we would usually recommend the business pays interest on the amount the consumer should have received at the rate of 8% simple per year. This is what Scottish Widows has already paid Mr S and I think, in the overall circumstances, this fairly and reasonably compensates him for being deprived of the money.

Mr S says the purchasing power of the sum has diminished over time due to inflation and he should be paid more to reflect the amount the policy maturity value would be worth today. But, as I've outlined above, I can't say what Mr S would have used the money for and so I can't conclude with any certainty what the value of that money would be worth today. In the circumstances I think the interest paid fairly compensates him for being without the money he should have received, and I can't reasonably order Scottish Widows to pay him anything more.

Mr S had to contact Scottish Widows several times for a breakdown of the compensation he'd been paid. I think Scottish Widows should have taken the time to explain its position more clearly, rather than repeatedly asking Mr S to provide payment details. But it apologised and paid Mr S £250 for the distress and inconvenience it caused and £50 for the delay in responding to his complaint. I consider this to be fair and reasonable.

My final decision

For the reasons I've explained, my final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 11 October 2023.

Elizabeth Dawes
Ombudsman