

The complaint

Mrs P and Mr P complain that Liverpool Victoria Financial Services Limited applied incorrect charges to their Smoothed Managed Investment Bond.

What happened

Mrs P and Mr P invested into a Smoother Managed Bond with LV in September 2021 after receiving advice from a financial adviser. Mrs P and Mr P accepted the option of adding a 10-year guarantee when the bond was taken out, for which there would be an additional monthly charge deducted from the bond. In early 2023, Mrs P and Mr P noticed that the additional charge for the guarantee was higher than they'd expected and raised concerns with their financial adviser. The financial adviser passed these concerns on to LV.

LV accepted that the wording relating to the monthly charge for the guarantee was different in the Supplementary Information Document (SID) to the wording in the Key Features Document (KFD) and the terms and conditions. LV also accepted this had caused Mrs P and Mr P a loss of expectation. LV explained that it hadn't deducted the additional charge in November 2021 - due to an error it made - but said it would waive this charge and pay Mrs P and Mr P £150 to resolve the complaint.

Mrs P and Mr P brought the complaint to the Financial Ombudsman Service and one of our Investigators looked into things. The Investigator thought LV's offer to waive the November 2021 guarantee charge and pay £150 to Mrs P and Mr P was a fair and reasonable remedy to resolve the complaint. Mrs P and Mr P 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 understand Mrs P and Mr P will be disappointed, but I've decided that the remedy LV has already completed is a fair and reasonable one in the circumstances of this complaint. I will now explain why.

In this case, I'm satisfied Mrs P and Mr P understood the bond offered a guarantee paid for by a monthly charge, and that the value of the bond at the end of the 10-year period would be £500,000 less any withdrawals and adviser fees taken. And, that there was potential for additional returns based on market performance. However, Mrs P and Mr P say they were expecting the guarantee charge to be based on the current value of their bond each month, but instead LV applied the monthly charge to the guaranteed amount of the bond. I consider this to be the crux of Mrs P and Mr P's complaint.

There's no dispute that the wording about how the guarantee would be paid for was different in the SID to the wording in the KFD and the terms and conditions. The SID said, in this regard, "*...the guarantee charge you pay is fixed for the term of the guarantee, based on the current value of your bond each month.*" The KFD said, "*The charge for your guarantee is 0.083% of the value of the guarantee a month.*" In addition to the SID and KFD, Mrs P and

Mr P were also provided with a copy of the terms and conditions of the bond. This document stated, “*The charge {for the guarantee} will be calculated based on the guaranteed amount at the date the charge is taken.*” The same document explains that the *guaranteed amount* is the amount LV guarantee to pay out at the end of the guarantee period – in this case the full initial investment was the guaranteed amount. This was also confirmed within the bond summary document LV sent to Mrs P and Mr P and their adviser.

Mrs P and Mr P say they and their financial adviser relied on the statement within the SID that the monthly charge for the guarantee would be calculated using the value of the bond each month.

LV provided conflicting information to Mrs P and Mr P, and to their financial adviser. Having seen the SID, I can understand why they thought the charge would only be based on the current value of the bond. And, as the underlying value of the bond decreased, they didn't expect the monthly charge for the guarantee to rise. However, Mrs P and Mr P received a number of documents at the time of the sale - and after it. Mrs P and Mr P expected the information they received from LV would be accurate and consistent. Although this wasn't the case here, I think it would be unfair and unreasonable for Mrs P and Mr P to rely solely on the SID when other documents provided at the same time - the KFD, the terms and conditions and the bond summary supplied - specifically refer to the charge being based on the guaranteed amount of the bond. LV made a mistake in the SID, but I've decided that all of the other documents made it clear the charge would be based on the guaranteed amount. So, I think the remedy LV has already completed is a fair and reasonable one. It recognises the error LV made and recognises that Mrs P and Mr P were surprised to see the underlying value of the investment fall by more than they thought it would. I think it also takes into account that Mrs P and Mr P were inconvenienced in having to contact their financial adviser, who then had to raise the complaint with LV on their behalf.

After LV issued its final response to the complaint, Mrs P and Mr P decided to encash the bond after meeting with their financial adviser. Mrs P and Mr P received the value of the units that remained, and this was significantly below the guaranteed amount. I think it's reasonable for me to conclude that the guarantee was important to Mrs P and Mr P as it complemented both their attitude to investment risk at that time and their wish to have a guaranteed return of capital after 10 years - less the deductions I've previously referred to. I understand Mrs P and Mr P were surprised that the charges were higher than they expected, but I can't hold LV responsible for any fall in value at the time of the encashment. This is because the documents provided to Mrs P and Mr P clearly explained that if they cashed the bond in early, they would only receive the current fund value less the deductions. And, importantly explained that all the charges applied to the bond in respect of the guarantee would be refunded by adding units to the fund at the end of 10-years. Therefore, I'm satisfied Mrs P and Mr P made an informed decision to encash the bond with the knowledge that the guarantee would be lost and that the cash-in value would be lower than what they invested.

My final decision

For the reasons above, I've decided that the remedy Liverpool Victoria Financial Services Limited has already completed is a fair and reasonable one in the circumstances of this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs P and Mr P to accept or reject my decision before 7 June 2024.

Paul Lawton
Ombudsman