

The complaint

Mr M complains about the way Aviva Life & Pensions UK Limited (Aviva) unfairly calculated the surrender value of his whole of life policy.

What happened

Upon maturity of his whole of life policy, Aviva sent Mr M £57,740.65 in December 2022. He says Aviva unfairly made an underpayment of £2,259.35 as he was led to believe he would receive a total of £60,000. So, he complained to Aviva.

In their final response, Aviva say Mr M was never guaranteed £60,000 for his surrender value. They say they made the payment in December 2022 to avoid any delays over the holiday period because the policy matured on 1 January 2023. They say they correctly made the payment taking into account the actual maturity date, not the date the payment was made.

Unhappy with this response, Mr M brought his complaint to this service.

An investigator here considered the complaint and didn't uphold it. She said Aviva had made clear that the earlier statements were projections and final surrender value may be different. She added that there was no guarantee that the final surrender would be £60,000. As Mr M didn't agree with the investigator, this came to me for a decision.

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.

Whilst I may not address each point individually, I would like to reassure Mr M that I have considered all the information provided including more recent communications, and reached what I think is an independent, fair and reasonable decision based on the facts of this case. Having done so, I agree with the investigator's conclusion for broadly the same reasons, so won't be upholding this complaint. I will explain further.

Aviva's valuations are made up of the sum assured, any regular bonuses already added to the policy and an amount for a discretionary final bonus. It is made clear in all communications that the guaranteed minimum value of £60,000 refers to value on death. The surrender value quoted is not guaranteed, nor is any bonus; the communications from Aviva clearly states the valuations are summary projections of what the policy may be worth when it matures. As Mr M would be aware, future growth rates are not guaranteed and as such the true value remains unknown until surrender and may differ over time.

I note Mr M says his policy had already matured on 29 December 2022 and the letter dated that day confirms as such. As changes to terminal bonuses were not made until 31 December 2022, he feels the terminal bonus should be paid at the higher 40% rate which was the rate being used on 29 December 2022. I understand the strength of his feelings, but regardless of when the payment was made, the policy maturity date was still 1 January 2023

not 29 December 2022, so he would only ever be entitled to the 33% bonus rate effective at that time.

I can see that Mr M has spent considerable time explaining his complaint to us. However, I am also satisfied that Aviva's communications were consistently clear in saying the maturity date was 1 January 2023 and to avoid any holiday period delays the surrender payment was being made early. This didn't mean they had agreed to change any of the terms of the policy or change the maturity date, they simply agreed to make the payment early so it is reasonable that any bonus that applied would still be based on what was declared on 1 January 2023.

Mr M refers to the requirement to give the policyholder written notice of alterations as he wasn't notified in advance of the change to the bonus rate. Whilst there may be a requirement for Aviva to give notice to policyholders, it doesn't state that this notice must be given in advance of any changes, and I have seen no such requirement for them to do so. Aviva made a reasonable business decision to change the final bonus element, a decision which they were entitled to take. It is not uncommon for a business to take this kind of approach and I don't find that they have been unfair in making the changes they have.

In terms of receiving the payment on 3 January 2023, Aviva confirmed on 29 December 2022 that the payment could take three to five working days from the date of the letter to clear. I don't find there is anything unreasonable in the timeframe stated or the period within which Mr M received the funds in his account.

I've also considered whether Mr M would have surrendered the policy earlier. The Mortgage Endowment Promise element of the policy is worth up to £9,200 but is only payable upon maturity of the policy. Given the fact that an early surrender would mean forfeiting this amount, Mr M would be financially disadvantaged by taking this approach – something he accepts in his later communications, and so I'm not persuaded this is what he would have done.

I appreciate Mr M feels strongly about the practices Aviva have been using, but it is not within the remit of my role here to question the commercial decisions they take, that would be the role of the regulator the Financial Conduct Authority (FCA). I suggest that if Mr M continues to have concerns around the way Aviva operate, they should contact the FCA to pursue their complaint further.

My final decision

For the reasons given above, I do not uphold this complaint against Aviva Life & Pensions UK Limited.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H to accept or reject my decision before 13 June 2024.

Naima Abdul-Rasool
Ombudsman