DRN-4764047

The complaint

Mr and Mrs G are unhappy with the service they received from Scottish Friendly Assurance Society Limited when their mortgage endowment policy matured. They also consider the amount they received from the policy is an '*insult*' as it is less than they paid into it.

Mr and Mrs G's policy was originally taken out with a different life assurance company, but Scottish Friendly took over the policy and is responsible for this complaint. As such, I will refer to Scottish Friendly throughout, including for historic actions taken by the original provider.

What happened

Mr and Mrs G took out their endowment policy in 1998. It was a unit-linked policy invested in a managed fund. The policy had a sum assured and target value of £21,762 and a term of 25 years.

On 12 July 2023 Scottish Friendly sent Mr and Mrs G a maturity pack. This reminded them their policy was due to mature shortly and explained what they needed to do to claim the proceeds. Mr and Mrs G have confirmed they didn't receive this at the time.

Following Mr and Mrs G getting in touch about the maturity of their policy, Scottish Friendly sent the maturity pack to them again on 21 August 2023.

On 25 August 2023 the policy matured with a value of slightly over £20,000.

Mr and Mrs G completed the maturity claim form and asked that the maturity value be paid into an account in Mrs G's name. This was received on the maturity date. As this was a different account from the one that the monthly premiums had been collected from, Scottish Friendly needed to validate the account. It asked Mr and Mrs G to provide a bank statement for the account they wanted the money paid into.

Mr and Mrs G initially, on 31August 2023, asked that the money be paid into the account the premiums had been collected from. However, before that happened, they confirmed they had asked Mrs G's bank for a statement to allow the money to be paid into her account. The statement was provided on 18 September 2023. Scottish Friendly processed the maturity on 29 September 2023, but mistakenly generated a cheque addressed to Mr G, rather than making a payment directly to Mrs G's bank account as requested.

Mr and Mrs G complained about both the poor service they'd received, but also about the amount as it was less than they had paid into the policy, and so they thought the policy was a poor investment. Scottish Friendly provided some information Mr and Mrs G had asked for and offered to cancel the cheque and make the payment again as a direct credit to Mrs G's bank account. It does not appear Mr and Mrs G responded to this offer.

Scottish Friendly responded to the complaint in a letter dated 26 October 2023. It said that it had sent the maturity pack and it was not responsible if it was not delivered correctly to their address. However, it accepted that it had not followed their instructions for the maturity and it apologised for that mistake and offered them £100 compensation for the inconvenience they suffered. Scottish Friendly again offered to cancel the cheque and arrange a transfer into Mrs G's account. In relation to the maturity value itself, Scottish Friendly said that it had paid out the right amount.

Mr and Mrs G weren't satisfied with Scottish Friendly's response and asked this Service to consider their complaint. One of our Investigators considered the complaint, but she didn't recommend that it be upheld.

Mr and Mrs G didn't accept the Investigator's conclusions as they still thought it unfair that they received nearly £2,000 less at maturity than they had paid in. As agreement couldn't be reached, it was decided the complaint should be referred to an Ombudsman for consideration.

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 will initially comment on Mr and Mrs G's dissatisfaction about the amount they received at maturity. When the policy was taken out, Mr and Mrs G and Scottish Friendly entered into a contract. Mr and Mrs G agreed to pay a monthly premium and Scottish Friendly agreed to provide life cover during the term. It also agreed to provide an investment which, if anticipated growth rates were met, would reach a "target" amount.

Mr and Mrs G paid their premium each month and Scottish Friendly had to invest the premium, taking costs as and when required from the fund. As far as I can see that is exactly what it did. Growth over the policy term has turned the premiums paid into a maturity value which unfortunately was less than hoped for. However, the hoped-for growth rates haven't been reached - far from it - but they were never guaranteed. A shortfall was always possible. Of course, no-one thought that would happen when the policy was arranged, but it doesn't change the nature of the contract in that it was always possible.

While Mr and Mrs G have received back less at maturity than they paid into the policy, what should also be taken into account is that those premiums also provided life cover for them both throughout the 25-year term. The only guarantee associated with the policy was that it would pay out the target value in the event of the first of either Mr or Mrs G's deaths. The value at maturity would only ever be the value of the units allocated to the policy on the maturity date. Having looked at the information provided in this regard, I can't see that Scottish Friendly made any mistakes when it calculated the amount it paid Mr and Mrs G.

In relation to the administration of the maturity, although Mr and Mrs G didn't receive the maturity pack when it was initially sent, I am satisfied that Scottish Friendly did sent it to them in July 2023 in plenty of time for the maturity to go ahead. In addition, when Mr and Mrs G contacted Scottish Friendly shortly before the maturity date, it sent them another copy in a timely manner, which allowed them to return the claim form by the maturity date. It was only the request to pay the money into a bank account other than the premium paying account that meant the maturity couldn't be processed at that point.

That said, Scottish Friendly did make a mistake when it paid the maturity in that it didn't follow Mr and Mrs G's instructions. However, when it was made aware of its mistake a few days later it offered to cancel the cheque and arrange a bank transfer for the funds instead. Despite this offer, this was a clear mistake and, given Mr and Mrs G's circumstances, one that could cause inconvenience, so an award of compensation is merited. Scottish Friendly has offered Mr and Mrs G £100 and I consider that is appropriate and proportionate in the circumstance.

It is not clear whether Mr and Mrs G cashed the cheque Scottish Friendly sent them. If they did not, they will not now be able to do so. In the circumstances, Scottish Friendly should confirm if the cheque was cashed and if it was not, it should contact Mr and Mrs G to arrange for payment to be made.

My final decision

Scottish Friendly Assurance Society Limited has already made an offer to pay Mr and Mrs G £100 to settle the complaint and I am satisfied this offer is fair in all the circumstances. As such, my final decision is that Scottish Friendly Assurance Society Limited should pay £100 in full and final settlement of this complaint.

Under the rules of the Financial Ombudsman Service, I am required to ask Mr and Mrs G to accept or reject my decision before 14 June 2024.
Derry Baxter
Ombudsman