

Case Study



Title: Interest on Endowment Premiums

Source: Moneywise www.moneywise.co.uk/

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I missed 3 payments around 1989 of 16.75 a month for an endowment policy. When the policy matured I paid over £500 to pay this back with interest each year interest was added on and I was invited to pay off arrears but never had finances to do so.

This policy although sold to me inside Halifax branch and told this was the only policy I could have (Norwich Union) it failed to mature enough but Halifax said I could not have compensation as the advisor was independent who sold it me. They let them use the premises.

I tried to find out advisor now but not trading now. So I have had no compensation at all from this policy. I know it's probably too late now as financial ombudsman years ago said don't bother pursuing but I want to know; were they right to charge interest on the interest for the outstanding underpayments, which were made as we left Halifax when we sold our 1st house and were because we changed all our direct debits around?

If you have taken your complaint to the financial ombudsman then you have explored the full lines of enquiry for a complaint regarding the policy not meeting its target. There are very specific rules around what constitutes a complaint and underperformance alone is not recognised as grounds for complaint. There are also time limit rules which it sounds like you are now outside of.

http://www.financial-ombudsman.org.uk/publications/technical_notes/time-limits-mortgage-endowment.html

In terms of the interest for the missed payments; it does seem harsh that you would be charged over £500 for missed payments totalling only £50.25 (16.75 x 3). Of course in 1989 interest rates peaked at 15% and the compound effect of this over, say, 17 years would be £540. The procedure and charges applied for policy underpayments would have been set out in the policy documentation's terms and conditions and it is unlikely that the endowment company has acted outside of these. However, mistakes do occur so to satisfy yourself that a miscalculation has not been made I would suggest writing direct to Norwich Union (now Aviva), outlining your concerns and asking them to investigate and to provide a break-down of the charges and calculations.

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