

The Observer Cash

- Home UK news International Politics Business Comment Leaders Focus Sport
Review Magazine Screen Travel **Cash** Letters Food Blog



Comment

Endowment firms: we'll see you in court

Jill Insley
Sunday July 3, 2005
[The Observer](#)

Why should anyone trust an insurance company?

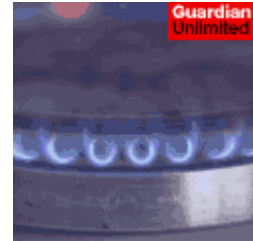
They have transferred millions of us from company pension schemes into poorly performing private ones and have mis-sold endowments to millions more. Now we discover that for the last five years they have been diverting endowment policyholders' attention from their basic legal rights by placing the emphasis on complaining to the company or the Financial Ombudsman within time limits set by the Financial Services Authority. They may not be doing anything illegal, but surely this stinks?

We have spoken to many people in the course of researching our front-page story, and most reacted with surprise at the idea that policyholders can sue. Most have accepted the insurers' line that complaints should be made within three years of receiving a 'red letter', or six years of buying the policy.

And no wonder - the literature sent out by most insurers gives no clue that any other action is possible. Norwich Union, the UK's biggest insurer and one that has adopted the time bar, makes no mention of the policyholder's right to go to court for compensation where advice was negligent. Legal & General has not imposed time bars, but still confuses the situation by saying at the bottom of its red letter: 'If this policy was sold by an independent financial adviser or intermediary, they may impose a time limit and you may lose your right to compensation.' No mention of the right to sue there.

Policyholders who bought their endowments since June 1990 still have the right to claim compensation in court, even if it is three years since they received a red letter. Those outside the 15-year limit may still be able to claim if their adviser told them their policy was guaranteed to pay off their mortgage. The onus is on the adviser to prove he or she did not mention a guarantee. As Neasa MacErlean points out, this could cost the industry billions of pounds.

The story also raises interesting questions about the FSA's role. Is it there to protect consumers or the insurer? While it would undoubtedly claim it has done



Tools

- [Text-only version](#) ▶
- [Send it to a friend](#) ▶
- [Save story](#) ▶

The Observer

- [Front page](#) ▶
- [Story index](#) ▶

Recent articles

- [War on office party sex predators](#)
- [Same-sex relationships: the law falls in line at last](#)
- [Legal protection, 10 years on](#)
- ['At the moment, my pension will stop if I die'](#)
- [Jill Insley: Pensions of the UK, unite](#)
- [All the latest money news](#)
- [Hooray, my £200 has swelled to £750](#)
- [Grey matters: Want to carry on earning? Tough](#)
- [Owe no! Find help sooner, not later](#)
- [Get your computer to look after the pennies](#)
- [How to become a ticket tout ... in the nicest possible way](#)
- [Heather Connon: A good time to vote for Germany](#)
- [Margaret Dibben writes your wrongs](#)

[Alison Cork's finishing touches](#)

[Comfort carved out of chaos](#)

The Guardian

[Front page](#)

[Story index](#)

its best to make sure complaints are solved with minimum distress and cost, introducing the time bars is totally in the interests of insurers, allowing them to put a cap on liabilities. The best solution would be the existing process of complaining to the adviser first and then to the Financial Ombudsman if unsatisfied with the outcome - but without the time bars.

Advertiser links

[Needing a Secured Homeowner Loan?](#)

Are you a homeowner with CCJs, arrears or defaults?

No...

credit-debt.loanspage.co.uk

[Remortgage Problems - National Guarantee](#)

Fast Remortgages, CCJs, Mortgage Arrears, Self-Certified...

nationalguarantee.com

[E-Loan - Online Fast Homeowner Loans](#)

Homeowners only - low-rate loans and mortgages, including...

e-loans.co.uk

[Privacy policy](#) | [Terms & conditions](#) | [Advertising guide](#) | [A-Z index](#) | [About this site](#)

Guardian Unlimited © Guardian Newspapers Limited 2005