Are mortgage endowment holders still being sold short by the life companies?

Are you well endowed? - August 2001 saw the Financial Services Authority issue the life assurance companies with a directive to ensure they inform the endowment policy holders of the option of selling their endowments instead of surrendering them, but how many are making the effort to comply with this, and is the UK public being sold short yet again?

Mortgage endowments are a bit of a hot topic at the moment, with the so called "red letters" being sent out to unfortunate endowment policy holders to give them the bad news that their endowment policy, so enthusiastically sold to them all those years ago, is not so well endowed after all.
Once sold without a second thought, and hoisted to the top of the flag pole as the best way of financing the biggest purchase of your life, the high performing, all singing, all dancing endowment policy has lost a lot of its attraction, and is now the investment that dare not speak its name, locked away in the financial tool cupboard, never to see the light of day again.

Until of course the innocent little envelope gently settles on to your door mat, and you spend the next 2 days trying to decipher exactly what is meant by the heady mixture of ingredients with names like maturity, bonus, target, assumptions, projected growth rate, illustrations and middle growth rates.
So wrapped up in adhering to correct financial speak, and complying to the letter of the F.S.A law (individually interpreted by their internal compliance departments) the life assurance companies go to great length to dissuade you from cashing in or surrendering the endowment policy.

As quite rightly they point out that "You may be tempted to cash in your endowment policy. Never do this, or stop making payments, without calling our helpline, or speaking to a Financial Advisor"
One assumes that the financial adviser, who sold it to you in the first place, is now going to welcome you with open arms and openly admit they got it wrong?
With financial advisers leaving the industry on a daily basis you may be a bit hard pushed to track him down!

But where in all this does it say that you can sell your endowment policy as a "going concern" with many years of hard earned premiums paid already, and get a better return than that offered by the original life office?
It doesn't seem to mention that if you did just that, not only could you potentially get more money, but the new owner could benefit from your premature death, and get the life assurance paid to him instead.
These are two facts that are both true and undisputable.

If the F.S.A (a government regulator set up to protect our interests by policing the financial services industry) makes it compulsory for the life assurance offices to inform the public of this "selling endowment" option, why are they not doing it?

Could the reason lie in this statement, made by the F.S.A in its consultation document CP106 August 2001?

"3.9 It is where policyholders approach the issuing life office direct with, perhaps, a direction to surrender, that they are at greatest risk of losing out through ignorance or lack of understanding of the alternatives. Historically, some life offices have been reluctant to accept responsibility for informing such policyholders about the alternatives to surrendering a policy. They have not, for example, considered it to be their responsibility to tell policyholders how to dispose of their policy and have been reluctant to get involved in the additional administrative effort in being a party to the sale of a policy."

And backed up again on the F.S.A web site:

"If you surrender your policy, the life office pays you a surrender value for it. If you trade it in, you sell the policy to a third party (usually via a traded endowment company, sometimes called a market maker). The new owner takes over the policy and pays the premiums but the assurance remains on the life of the original policyholder. So when it matures or if the original policy holder dies, the new owner gets the money. Depending on how long the policy has been running, you may get more money trading it in rather than surrendering it."

So the question that begs an answer is "if you approach your endowment policy company, with a question about the surrender value of your endowment policy, will they inform you, as they must do according to the F.S.A, of the option of selling the policy to a third party instead of surrendering it back to them?"

Is it perhaps the fact that you could get a better offer elsewhere that is influencing the way they respond to you?

Should you wish to find out what your endowment policy is worth if you sell it instead of surrendering it, you could always visit this web site, specifically set up to help endowment policy holders get their policy valued in the second hand endowment market place www.sellendowments.co.uk