

The complaint

Mr and Mrs S' complaint concerns the value of the with profits bond they hold with The Prudential Insurance Company Limited. They're unhappy that its increase in value was significantly less to August 2019 than it had been previously.

What happened

Mr and Mrs S have held their bond since 1997. In August 2019 they received the annual statement, which showed the value - just over £21,800 - had increased by only around £9 in the preceding year, as opposed to around £1,600 the year before that.

They complained to Prudential and it explained how the bond works - the with profits 'smoothing' and bonus mechanism - and said that the terminal bonus for the year in question had been reduced because of the poor performance of the markets in general and, in turn, the Prudential with profits fund. The fund had made a loss in 2018 before taking into consideration charges and smoothing, hence a reduction in the terminal bonus.

Mr and Mrs S referred their complaint to this service, but the investigator reached the same conclusion as Prudential. She reiterated the points about the with profits mechanism but also highlighted the fact that the product literature explained that there were no guarantees associated with the bond and its bonuses. Overall, she didn't think that Prudential had done anything wrong.

As Mr and Mrs S didn't accept the investigator's opinion, the matter's been referred to me to review.

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. Having done so, I've come to the same conclusion as the investigator and for broadly the same reasons.

Having held their bond for over 20 years Mr and Mrs S will doubtless be familiar with how the with profits mechanism works, and in any event this has been reiterated to them by both Prudential and the investigator. So, I won't go back over that.

In short, I've seen nothing in the evidence that suggests a mistake or other wrongdoing by Prudential. The management of a business' with profit fund is a matter of its commercial discretion. And for that reason I wouldn't generally seek to question that management unless the figures produced were so atypical and out of line with the general financial picture that it looked like some sort of error, or unreasonable action, could've been made.

I understand that it will have been disappointing to have seen such a small increase in value in the August 2019 statement. But there's nothing here that suggests that Prudential has acted incorrectly. I'm satisfied the reduction in the terminal bonus, and the associated impact

on the value of Mr and Mrs S' bond, is attributable to the financial conditions Prudential explained in its final response letter.

My final decision

For the reasons given, my final decision is that I don't uphold the complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr and Mrs S to accept or reject my decision before 7 May 2020.

James Harris
Ombudsman