

The complaint

Mr and Mrs M complain that The Prudential Assurance Company Limited (Prudential) gave them incorrect information about the value of an endowment policy they hold with it.

Mrs and Mr M say they made a large financial commitment based on the information they received from Prudential.

What happened

Mrs and Mr M hold an endowment policy with Prudential.

In July 2018 they made a partial surrender and withdrew over £20,000 from the policy, leaving a balance of around £5,000.

In August 2019 Mrs M phoned Prudential for an up-to-date valuation. Due to errors on Prudential's part it did not take into account the partial surrender Mr and Mrs M had already made and gave a valuation of around £25,000. Mrs M queried this figure during the call with Prudential, as she felt it was too high, and was told the amount was correct.

On 23 October 2019 Mrs M phoned Prudential again. This time she was told the value of the policy was around £18,000. Mrs M again queried the figure as it was around £7,000 lower than the (incorrect) valuation she had been given in August.

The representative said that Prudential was experiencing some problems with its system and suggested that Mrs M could double check the valuation on 'MyPru'. Mrs M did so, and it appears the figure tallied with the amount the representative had given. The representative then offered to arrange for Mrs M to receive a call back with the exact surrender value. It appears there was some confusion about whether the valuation included any terminal bonus that might be due.

Mrs M explained to the representative that she wanted to buy a caravan and a call back to confirm the value of the policy was arranged for the next day. I haven't seen anything to show that the call back went ahead.

Despite not having had a call to confirm the value of the policy Mr and Mrs M put down a deposit on a caravan on 23 October 2019.

It subsequently came light that the information Prudential had given Mrs M was incorrect and the surrender value of the policy was around £5,000.

Mr and Mrs M complained to Prudential. They said they would not have gone ahead with the purchase of the caravan if Prudential had given them the correct valuation. They said they had committed to buy a new caravan by the time they found out that the surrender value was around £5,000. And they said they had been forced to borrow money from relatives to cover the cost.

Prudential accepted that it had given them incorrect information and had provided a very poor level of service. It explained that it should have added a note to Mr and Mrs M's file after they made the partial surrender in 2018 to flag that any further valuations would need to be done manually and that the valuation on its system was incorrect. As this hadn't happened the partial surrender wasn't taken into account in the valuations it provided in August and October 2019.

It offered to pay Mr and Mrs M £500 for the trouble and upset its poor service had caused. But it said it didn't feel it was reasonable for it to pay the £9,000 Mr and Mrs M had spent on a new caravan or the £4,000 they had said they would accept in order to resolve this complaint.

Mr and Mrs M weren't satisfied with Prudential's response and brought their complaint to this service.

Our investigator said he felt Prudential's offer to pay Mr and Mrs M £500 was fair and reasonable and he didn't think it needed to do any more to resolve this complaint.

He noted that Mrs M said that if Prudential had given her the correct information she wouldn't have gone ahead with the new caravan. But he said he was mindful that Mr and Mrs M knew that when they took £20,300 from their policy in 2018 the remaining value was around £5,000.

He also noted that Mrs M had queried the valuation she was given in August 2019 as it seemed too high. He accepted that Prudential had told Mrs M that the £25,000 valuation was correct. But he said he felt it was clear that the surrender value was still in question. In view of this he said he felt it ought to have been apparent to Mr and Mrs M that any large purchase they planned to make might be affected.

He also noted that Mrs M's credit card statement showed that they had chosen not to wait for the promised call back in October 2019 before putting down a deposit on the new caravan.

In view of this he said that although he felt the service Prudential had provided was very unsatisfactory, he didn't think it was reasonable to ask it to pay anything towards Mr and Mrs M's new caravan.

Mr and Mrs M weren't satisfied with our investigator's view. Mrs M reiterated that they only decided to go ahead with the purchase in October 2019 after Prudential had confirmed that the policy had a value of around £18,000 and Mrs M had checked this on 'MyPru'. Mrs M said that she felt our investigator had not fully considered that she had checked the value of the policy several times with Prudential before going ahead with the purchase.

Mrs M also subsequently contacted this service about more recent problems with a valuation statement they had received from Prudential.

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.

It is not in dispute that the service Prudential provided to Mr and Mrs M was very poor. What is in dispute is whether Prudential should pay Mr and Mrs M more than the £500 it has already offered to put matters right.

I have very carefully considered all that Mrs M has said and provided and I am sympathetic to her position. But in order to find that Prudential should contribute towards the cost of the new caravan Mr and Mrs M bought I would need to be satisfied that they had reasonable grounds for believing that the valuations Prudential gave them could be relied on.

It is clear from the phone calls I have listened to that Mrs M thought the valuation she was given in August 2019 was too high. Likewise, I think it was clear to Mrs M that something was amiss when the valuation had apparently dropped from £25,000 in August 2019 to around £18,000 in October 2019.

I don't think Mrs M could have been expected to know what the problem was. But I do think she had enough information to suspect that something was wrong and that the valuations she had been provided over the phone and on 'MyPru' couldn't be relied on.

I think, based on the information I have seen, that it would have been reasonable for Mr and Mrs M to wait for the call back that was promised for the next day before committing to the purchase of a new caravan. I note that Mrs M didn't chase Prudential about the promised call back until early November 2019.

As our investigator noted I think this suggests that Mrs and Mr M had already decided to go ahead with the purchase of the new caravan despite what appeared to be very large fluctuations in the value of their policy and no confirmation from Prudential about the actual surrender value.

That said, I do think the service Prudential provided was very poor. I note that despite Mrs M indicating that she felt the valuation was too high its representatives didn't follow up on this.

But I think the £500 Prudential has offered to pay Mr and Mrs M is fair and reasonable for the trouble and upset its poor service caused. I can't reasonably require it to contribute towards the cost of the caravan Mr and Mrs M have bought.

In relation to the recent valuation statement Mr and Mrs M have received from Prudential, as our investigator explained, if Mrs M wants to pursue this matter, she will need to raise it with Prudential in the first instance. I would also add that I don't think Mr and Mrs M should rely on this statement as it does not appear to take account of the partial surrender they made in 2018.

My final decision

My decision is that the offer The Prudential Assurance Company Limited has made to pay Mr and Mrs M £500 is fair and reasonable in the circumstances of this complaint. I simply leave it to Mr and Mrs M to decide if they now wish to accept this offer.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M and Mrs M to accept or reject my decision before 27 October 2020.

Suzannah Stuart
Ombudsman