

The complaint

Mr and Mrs C say that The Prudential Assurance Company Limited mis-sold them a mortgage endowment policy.

What happened

Mr and Mrs C took out a mortgage endowment policy alongside their mortgage in 1999. They were first-time buyers and say that they believed this was the only way of getting a mortgage. They surrendered the policy in 2006.

In 2020, Mr and Mrs C complained to Prudential and said it had mis-sold the endowment to them. They said they weren't offered a repayment mortgage and had they been told there was a risk-free option, they would've taken that instead. They also complained about the policy not meeting the target sum.

Prudential looked into the complaint but didn't uphold it. It said that the recommendation made to Mr and Mrs C for this policy was suitable, so this meant other repayment options didn't need to be discussed. It said that no guarantee was provided for the target sum, as explained on their paperwork. And that their attitude towards risk was established, also shown in their paperwork.

Mr and Mrs C brought their complaint to our service, through a representative. Our investigator didn't uphold the complaint as she agreed the policy seemed suitable for Mr and Mrs C at the time. She said they'd declined other products recommended to them in the meeting, so she felt they could've declined to take out this mortgage if it didn't fit what they wanted. And she said Prudential had met the standards required in 1999.

Mr and Mrs C's representative disagreed on their behalf. They stated that principles that were published in 2004 did apply to the review of this sale. And that these required the business to make sure the client had enough information to make a balanced and informed decision before proceeding. They said it wasn't possible for this requirement to have been satisfied if Mr and Mrs C weren't made aware of the option of a repayment mortgage. And they deemed the advice unsuitable if it wasn't made clear there were other ways to get a mortgage. So the complaint has been passed to me for a final decision.

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.

Mr and Mrs C's representative has put forward that it isn't possible for Prudential to have made a suitable recommendation to Mr and Mrs C without discussing a repayment mortgage with them. But I don't agree that's correct.

I haven't been provided with anything which shows the advisor was required to discuss every option with Mr and Mrs C. Instead, they were required to provide a suitable recommendation. I accept that this meant the advisor had to consider what was right for

Mr and Mrs C, part of which likely included considering the options available, such as a repayment mortgage. But that doesn't mean they then had to discuss all of this with their customer, as the representative has suggested. And ultimately, the advisor had to decide what was suitable and share this with Mr and Mrs C. Based on the evidence I hold, I can't say that the advisor was wrong to recommend this endowment in 1999, considering what Mr and Mrs C told them about their situation and their attitude to risk at this time. So I'm not persuaded to uphold this complaint because there's no evidence a repayment mortgage was discussed.

I accept that Mr and Mrs C may not have had much knowledge about mortgages, as they were first-time buyers. So it is possible they didn't fully understand the different mortgage options available to them. But, as I've already set out, Prudential was required to recommend them a suitable mortgage product. And then it was up to them to decide if they wanted to go ahead with what was recommended. Their paperwork shows they didn't accept everything that was recommended, so it seems they did understand their ability to make their own choices from the recommendation at the time.

Mr and Mrs C's representative has said it wasn't possible for them to make a balanced and informed decision without being given all the options – and that this was something Prudential had to consider when reviewing this case. But again, I consider this to be the representative's interpretation; and they're actually applying a higher test than is required. I haven't seen anything which sets out that a balanced and informed decision can only have been made if a repayment mortgage was discussed. I'm satisfied that Mr and Mrs C were given enough information for them to understand the mortgage product Prudential was recommending to them. For example I can see they were told it could exceed its target sum or could have a shortfall. And so this, alongside their other paperwork, meant they had enough information to decide if it was right for them. So their representative's points don't change my decision.

I do also note that Mr and Mrs C have said that if they were offered a "risk-free" option they would've taken it – regardless of how little risk their endowment had. But I can't agree that this is supported by their paperwork. I can see that there was a scale for how much risk they were willing to take with the endowment and their life cover. This ranged from one to four; one being 'Capital Security' and four being 'Adventurous'. Mr and Mrs C have opted for level one for Mrs C's life protection, but level two for their mortgage ('Very Cautious'). This suggests that at the time, they were willing to take some risk – despite having a lower risk option available to them. I'd have expected them to select level one for both areas if they really were trying to take out the lowest risk option available to them, but they have signed the paperwork with a level two risk and gone ahead with the endowment accordingly.

I'm satisfied that Prudential did what was required of it in 1999 and also in its review of this sale. I think Mr and Mrs C were given clear information about the risk their policy had and that they had enough information to decide if they wanted to accept the suitable recommendation the advisor made.

My final decision

For the reasons set out above, I don't uphold Mr and Mrs C's complaint.

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

Amy Osborne
Ombudsman