

The complaint

Mr K and Mrs P are complaining about the cancellation of their term assurance policy by The Prudential Life Assurance Company Limited.

What happened

In September 2020, Mr K and Mrs P received a letter from Prudential telling them that their term assurance policy had been cancelled. The letter said this was because they'd not made payments due from May 2020.

Mr K called Prudential immediately after receiving the letter and told them that his direct debit had failed earlier in the summer and that he'd made payments directly to their bank account. When Prudential weren't able to check the payments straight away, Mr K raised a complaint. When it took Prudential longer than Mr K expected to check the payments and respond to his complaint he came to our service.

In November 2020, Prudential replied to Mr K. They said they'd received the payments for May to September and apologised for incorrectly telling Mr K they hadn't received his payments. They said Mr K needed to make a further payment to cover the premiums up to November, and that he'd need to complete a declaration of health form and updated direct debit instructions so that the life assurance could be reinstated.

At this stage, Prudential paid £400 to compensate Mr K and Mrs P for the distress and inconvenience they'd caused. But the problems continued. It took Prudential some time to send Mr K a declaration of health form that he could complete and return. And they continued to have difficulty keeping track of the payments Mr K was making. In January 2021, they sent him another letter saying the policy would be cancelled, and additional letters chasing missing payments, even though Mr K was making payments.

So Mr K made further complaints. The issue was eventually resolved in February 2021, when Mr K and Mrs P's policy was reinstated and a new direct debit was set up and operating correctly. By this point, Prudential had paid Mr K and Mrs P £900 in compensation for the distress and inconvenience caused by their poor service.

Our investigator's view was that Prudential had done enough to compensate Mr K and Mrs P – so she said they didn't need to do anything further. But Mr K doesn't think £900 is enough to recognise what they've been through. He noted that it's only £450 each. He says he and his wife don't have any other life cover and have been worried what would happen to their children if one of them were to die. This has been exacerbated by the pandemic. Mr K's asked for an ombudsman to look at his complaint – so it's come to me.

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.

At this stage, it seems the debate is principally about the amount of compensation, so although I'll touch on the points of complaint, I'll focus on the impact Prudential's actions have had. Although I appreciate it'll be a disappointment for Mr K and Mrs P, I've decided Prudential have offered enough compensation and won't be asking them to do any more.

I can see that Mr K and Mrs P had trouble with their direct debits on many occasions. But I think the letters Prudential sent them in June and July were clear. These told Mr K and Mrs P that their life assurance would be cancelled if they hadn't paid by 9 September, and they explained that they could pay either by cheque, or by providing new direct debit instructions. The letters didn't give the option of paying directly into Prudential's bank account, which is what Mr K chose to do.

These payments are inherently more difficult to track and assign to a policy – so I can understand why Prudential didn't realise Mr K and Mrs P had made up the shortfall, and therefore why they sent the letter telling the policyholders that their cover had been cancelled.

It's at this stage that things started to go wrong though, with it taking almost six months to get cover reinstated.

I appreciate Mr K's frustration at the number of phone calls he made, and at the number of payments he'd made which Prudential didn't seem to be able to find. And I can understand his and his wife's anxiety over what would happen if one of them were to die before the policy was reinstated. Given the circumstances of the pandemic, I appreciate this was a greater worry than it might otherwise have been. I realise this wouldn't have been helped by the letters Mr K received in January 2021 which further knocked his confidence in Prudential's ability to get things sorted.

I also accept Mr K's statement that £900 equates to £450 for each of him and his wife. Whilst I can understand there was a significant amount of worry, and a moderate amount of inconvenience, I haven't seen any suggestion of any wider impact this has had on Mr K or Mrs P. So I'm satisfied this amount is enough to compensate them for what they've been through.

My final decision

I'm not upholding Mr K and Mrs P's complaint. Although there have been some shortcomings in The Prudential Life Assurance Company Limited's service, I'm satisfied they've done enough to put things right for Mr K and Mrs P.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr K and Mrs P to accept or reject my decision before 8 April 2021.

Clare King
Ombudsman