

The complaint

Mr G has complained about a distribution bond he held with The Prudential Assurance Company Limited (“Prudential”). He feels Prudential mismanaged his fund and caused him a financial loss.

What happened

Mr G invested in Prudential’s distribution bond fund in April 1998 for capital growth and a regular income.

In July 2020, after receiving his annual statement, Mr G contacted Prudential about the performance of his fund over the last year and asked to surrender his plan.

In August 2020, Mr G raised a complaint about the amount he received upon surrender and the performance of the fund. Prudential upheld his complaint about the surrender value but didn’t uphold the second part of his complaint. They explained the values aren’t guaranteed and can change daily. They also said that the drop in value was due to the global situation with covid-19 which had caused a significant drop within the markets.

Mr G was unhappy with their response in relation to the performance of his investment and asked our service to look into matters. Our investigator didn’t recommend that Mr G’s complaint should be upheld. He felt all investments are subject to fluctuation and there wasn’t any evidence to suggest Prudential mismanaged Mr G’s fund.

Mr G did not agree with the investigator’s opinion. He said Prudential were using covid-19 as a smokescreen and they didn’t need to go to the markets at the time. As Mr G did not agree with the investigator’s opinion, the complaint has been passed to me to decide.

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 broadly for the same reasons.

For clarity, Mr G hasn’t asked us to look at about the suitability of the advice he was given when he took out the investment. So, I haven’t considered it under this complaint. My findings will focus on the issues Mr G has raised about the falling value of his investment in the year before he surrendered it.

I appreciate Mr G’s fund made significant losses in its last year and can understand why he’s disappointed and questioned Prudential’s management of it. But having reviewed matters, I haven’t seen anything to suggest Prudential has mismanaged the fund.

The fund sheets for Mr G’s investment say *‘Fund performance is based upon the movement of the daily price and is shown as total return in GBP with net income reinvested. The value*

of your investment can go down as well as up and you may not get back the amount you put in'.

Investment returns for this type of fund aren't guaranteed and it's normal for the value to fluctuate. And poor performance of the fund doesn't necessarily mean that Prudential has been negligent or mismanaged the investment.

The objective of Mr G's fund was to *'deliver capital growth and produce a regular income over the longer term'*. And I haven't seen anything to show the fund wasn't managed in line with this objective. I think it's important for me to note that the fund manager has the discretion to make investment decisions and decide on the strategy it follows. The fluctuations in the market can't be predicted and because of the very nature of investments, sometimes returns aren't as hoped for.

Prudential explained that the global pandemic caused a significant drop in the markets. It's been widely reported that most asset classes fell in value during this time. Mr G's fund was invested in several asset classes such as equities, corporate bonds and property via collective investment schemes. So, I don't think the fact that the value of the fund fell shows Prudential acted wrongly.

Taking into account the adverse market conditions, Prudential have provided a reasonable explanation for the drop in value. And Mr G hasn't provided any evidence to suggest this wasn't the case. Mr G suggests Prudential are hiding behind market conditions. But market conditions do have an impact on investment returns whether directly or indirectly. There has been a period of upheaval and volatility in the market during the year before he surrendered his investment. I'm afraid it is the nature of investments to be affected by market conditions.

I've noted and considered the all of the comments Mr G has made, but I'm not satisfied he has provided any persuasive evidence to support his complaint that Prudential was negligent in the management of his investment or that it was mismanaged. It follows that I don't uphold his complaint. I understand Mr G will be disappointed with this outcome, given how strongly he feels about this.

My final decision

My final decision is that I don't uphold Mr G's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr G to accept or reject my decision before 28 July 2021.

Daniel Little
Ombudsman