

## The complaint

Mr N has complained that the maturity payment he received from his The Prudential Assurance Company Limited endowment policy was less than he was expecting and that The Prudential Assurance Company Limited delayed the payment of his policy maturity proceeds to him.

## What happened

Mr N held a “*Flexidowment*” policy with The Prudential Assurance Company Limited (Prudential). The policy held by Mr N was an endowment policy which invested in Prudential’s With Profit fund. Mr N’s Prudential policy matured on 1 April 2023.

On 4 February 2023 Prudential wrote to Mr N to say that his policy was due to mature on 1 April 2023 and that the estimated amount payable on that date would be £59,263 17.

However, when Mr N’s policy matured on 1 April 2023 the maturity value paid out by Prudential was £54,272.02.

Mr N signed paperwork to claim his maturity value on 16 March 2023, and Prudential wrote back to Mr N on 4 April 2023 to thank him for sending these documents to them, but Mr N didn’t receive the maturity pay out from Prudential until 28 April 2023.

Mr N complained to Prudential by telephone on 4 April 2023 about the maturity value being less than what he’d been expecting and about the delay in his maturity value being paid to him.

Prudential replied to Mr N’s complaint on 10 April 2023. Prudential didn’t uphold Mr N’s complaint about the maturity value being less than he was expecting. In their response Prudential said:

*“We pay regular bonuses which are normally added throughout each year, as well as a Final Bonus, sometimes referred to as Terminal Bonus. A Terminal Bonus may vary depending on the performance of the fund. The Terminal Bonus can be removed, altered or reduced at any time.*

*Each year, in the last week of February, the bonus statements are announced for the upcoming year. Annual Bonuses are guaranteed and once added to the value of the policy they cannot be taken away. Therefore, they become permanent additions and increase the value of the policy. Terminal Bonuses, while quoted, are not guaranteed, can change at any*

*time and are only actually applied on the date funds are taken from the policy. Your value has reduced as a result of a reduction to Terminal Bonuses following the recent bonus declaration".*

Mr N replied to Prudential by email on 17 April 2023. In his reply Mr N said: *"I understand your explanations in that letter, but what I don't understand and think is very misleading is that you quote online the 'value of fund' with no mention that this is not the amount one will receive on maturity. I know you state 'not guaranteed' in other locations".* Mr N went on to say *"I have the last 13 years of yearly statements and none show any final bonus (not guaranteed) adjustments downwards by any amount".*

Prudential wrote to Mr N again on 16 May 2023. In this letter Prudential responded to Mr N's complaint about the delay in his receiving his maturity payment. Prudential admitted that they had delayed the payment of the maturity proceeds to Mr N and that these should have been paid to him on 3 April 2023, instead of 28 April 2023. To recompense Mr N for their errors, Prudential paid Mr N £152.74 in compensation for lost interest and £150 for the trouble and upset they'd caused, so a total of £302.74.

However, in this letter Prudential repeated that they didn't uphold Mr N's complaint about the maturity value for his policy being less than what he was expecting. Prudential went on to say: *"I am still unable to support your complaint in relation to your value dropping by around £5000. As explained in our letter of 10 April, this reduction was due to this year's bonus declaration which took effect from 1 March. This review happens every year and in previous years we have been able to maintain or increase our bonus rates and final bonuses. However, due to lower profits made over the past year, we reduced the final bonuses that are added this year".*

Mr N wasn't happy with Prudential's responses to his complaints, so he referred his complaint to the Financial Ombudsman Service. One of our Investigators reviewed Mr N's complaint. Their view was that the reduction in Mr N's maturity value was due a change in the amount of final, or terminal, bonus being paid and that Prudential had explained in the annual statements sent to Mr N that final bonuses were not guaranteed.

Our Investigator didn't uphold Mr N's complaint about his policy's maturity value being less than what Mr N was expecting. The Investigator also thought that the above payment which Prudential had made to Mr N in compensation for their poor service and lost interest due to the late payment of the maturity proceeds was reasonable, so didn't think that Prudential needed to take any further action.

Mr N didn't agree with the Investigator's view, so he asked for his complaint to be brought to an Ombudsman.

### **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.

Prudential has said that they sent Mr N annual statements for his *"Flexidowment"* policy. Mr N has also said that he viewed his policy online. However, Mr N has said that he didn't receive his annual statements for 2020 and 2021 in the post, but he did receive previous statements.

I've seen copies of the 2020 and 2021 annual statements for Mr N's policy, which are dated 27 July 2021 and 1 June 2022 respectively. From these I can see that they were both correctly addressed. In their letter of 16 May 2023 Prudential told Mr N that these annual

statements had been posted to him.

Whilst Mr N has said that he didn't receive these statements, as Prudential has said that they were posted, and they were correctly addressed, then I don't think that it would be reasonable to hold Prudential responsible for these two statements not being delivered to Mr N's home address.

I've also had sight of Mr N's 2019 annual statement which was sent to him on 1 July 2020.

This statement said *"You might notice that your statement looks different this year. We've made it more detailed and easier to read to help you weigh up your options. We've added some extra information about how your plan works. And you'll find your usual bonus statement at the back."*

The 2019 statement gave details of the *"cash in value"* of Mr N's policy as at 31 May 2020. Prudential said: *"This is the amount we'd have paid you if you decided to cash in your plan on the statement date. It includes all premiums paid as well as the value of any bonus additions to date. Where appropriate, an allowance for final bonus has been added. The value could go down as well as up. Any final bonus amount is not guaranteed and may be altered or suspended without notice"*.

I think that this statement was telling Mr N that any final bonus applying to his policy wasn't guaranteed and that Prudential could change any bonus amount, or suspend the payment of a final bonus, without giving Mr N any prior notice of this.

The 2019 statement also gave details of the sum assured that could be paid in the event of a death claim. The said that the *"Guaranteed sum assured"* under Mr N's policy was £24,290.37, the *"Final bonus (not guaranteed)"* was £26,873.86 and the *"Current amount paid on death"* was £51,304.64 (£24,290.37 + £26,873).

This part of the statement went on to say: *"Final bonus (not guaranteed) We might add a final bonus at the time of death or on maturity but it's not guaranteed. The final bonus amount we've shown above could go down as well as up. We might reduce any final bonus rates (or not pay any bonus) without giving you any notice. We've shown the amount of final bonus that we would have added if there was a death claim on this statement date. As this amount isn't guaranteed, we've not included it in the guaranteed sum assured figure we've shown"*.

Whilst the information set out above was in relation to a death claim, I think that it also explained that Prudential might add a final bonus to Mr N's policy in the event of a death claim or at maturity, but that the amount of any final bonus wasn't guaranteed. I think that Prudential also explained that the amount of final bonus that they'd shown in Mr N's 2019 statement could go down as well as up.

The 2019 statement also contained a page headed *"Your Conventional With-Profits bonus statement"* which I think is the *"usual bonus statement"* which Prudential referred to above.

This bonus statement says: *"This statement shows how much regular bonus has been added to your Plan. We might add a final bonus to your Plan on maturity or when a claim is made. This isn't guaranteed and isn't shown in the statement."*

The statements go on to say that Mr N's policy was a Flexidowment plan and that *"We'll pay a lump sum when your plan reaches its final 'date of maturity' or when there's a death claim"*

*(if that's earlier). The plan has guaranteed early maturity values on each plan anniversary from the tenth onwards. This statement also shows the value of any regular bonuses we've added to your plan. We might add a final bonus when you take money out of the With-Profits Fund. Any bonus will vary and is not guaranteed. We might not pay you a final bonus if investment returns have been low over the time your money has been invested".*

I think that again Prudential was explaining to Mr N that any final bonus payable when Mr N took "money out of the With-Profits Fund", for example at maturity, wasn't guaranteed. I think that Prudential was also explaining that in some circumstances they might not pay any final (terminal) bonus at all.

I've also seen some of the earlier annual statements that were sent to Mr N. I think that whilst the wording on some of these earlier statements differs slightly from the 2019 statement detailed above, they still contain a similar statement.

For example, the annual statement for 2015 says: *"We will pay a lump sum at the final date of maturity or death, if earlier. Alternatively, the plan has guaranteed early maturity values on each plan anniversary from the tenth Plan anniversary. Your statement shows the value of any regular bonuses added to your plan. When money is taken out of the With-Profits Fund, we may add a final bonus, however any final bonus may vary and is not guaranteed, and if investment returns have been low over the lifetime of your plan, a final bonus may not be paid".*

Whilst the wording above is different from that in the 2019 annual statement, I think that Prudential is still telling Mr N that they might pay a final bonus at maturity, but any amount of final bonus is not guaranteed and that it's possible that no final bonus will be paid.

Prudential has provided a screen shot of a secure message sent to them by Mr N on 23 August 2021. In this message Mr N asks: *"Hi, at the end date of my flexidowment policy, is it feasible that a terminal bonus would be added to the estimated value, or does the estimated value include any terminal bonus additions?"*

On 24 August 2021 Prudential replied to Mr N to say: *"Thank you for recently contacting us. We may pay an additional final bonus, but this isn't guaranteed as we may alter or suspend this at any time. This is not included under estimate maturity value".*

I therefore think that Prudential had explained to Mr N ahead of the maturity date of his endowment policy that any amount of final bonus payable was not guaranteed and could vary. I also think that Prudential had explained that in some circumstances no final bonus would be payable at all and that Prudential could change the final bonus without notice.

Mr N has also said that whilst the maturity value of his policy reduced, he has noted that Prudential's annual profits and share price has increased. In Prudential's letter of 10 April 2023 Prudential say that Mr N's policy is invested the Prudential With-Profits Fund, which is a pooled investment. Prudential also say that the fund is invested in a broad mix of assets both in the UK and abroad and that these assets include company shares, bonds, property and fixed interest securities and deposits.

I think that Prudential is saying that the annual return of the With Profit fund in which Mr N's policy invested wasn't based on Prudential's own share price or level of profitability.

I think that the bonuses payable from the With Profit fund are distinct from Prudential's wider business in that the bonuses relate to the way in the With Profit fund is managed and the performance of the underlying assets held in the fund.

Managers of with profits funds have to comply with a set of rules in order to ensure that funds are fairly distributed, however fund managers do have a degree of discretion which they ought to exercise for the benefit of all policyholders.

I've not seen any evidence to suggest that the bonus rates set at the time that Mr N's policy matured were not fair or were otherwise in line with Prudential's discretion and commercial judgement, constrained by its regulatory obligations.

The letter sent to Mr N by Prudential on 4 February 2023 told him that his policy was due to mature on 1 April 2023 and that the estimated amount payable at maturity was £59,263.17. The letter said that the figure of £59,263.17 was "*estimated*" and went on to say: "*Final bonus rates are regularly reviewed so the rate we use to determine your maturity payment may not be the same as was indicated in your yearly statement*".

Whilst I appreciate that this letter was sent to Mr N less than two months before the maturity date for his policy, I think it reasonable that Mr N should have understood from this letter, and from the annual statements previously sent to him, that his estimated maturity amount wasn't guaranteed. Prudential has said in their letter of 16 May 2023 that they reduced the bonuses applying to their With Profit fund from 1 March 2023, so before Mr N's policy matured.

I therefore think that Prudential had previously explained to Mr N that any final bonus payable on his policy wasn't guaranteed and could change without any prior notice. I also think that Mr N said in his email to Prudential on 17 April 2023 that he'd noted that any final bonus wasn't guaranteed.

I am therefore unable to uphold Mr N's complaint about the maturity value of his endowment being less than what he was expecting.

I also think that Prudential has admitted that it delayed paying out the policy maturity proceeds to Mr N. Prudential has apologised to Mr N for this delay and has paid him a total of £302.47 in compensation for lost interest and for the trouble and upset they'd caused. I think that this is reasonable.

I am therefore pleased to see that Prudential has offered and paid appropriate compensation for their delay before the case came to us and I think there's nothing more for me to say on this or for Prudential to do.

I am therefore not upholding Mr N's complaint.

### **My final decision**

My final decision is that I don't uphold Mr N's complaint against The Prudential Assurance Company Limited.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr N to accept or reject my decision before 21 March 2024.

Ian Barton  
**Ombudsman**