DRN-4446289

The complaint

Mrs H's complaint is about a mortgage endowment policy she held with The Prudential Assurance Company Limited. She is unhappy that the policy maturity value was paid to her mortgage lender. In addition, she's dissatisfied with the general level of service she has received from Prudential, especially in relation to call times and disconnected calls not being returned.

What happened

In 2018 Mrs H moved home. She's told us that she ported her mortgage to her new property. At that time, it appears that some of the mortgage remained on an interest-only basis with the endowment policy still being the repayment vehicle. However, despite this, the lender reassigned the endowment policy to Mrs H. It wrote to Prudential at the time, but Prudential attached the letter to the records for another endowment policy Mrs H had with it – this error was not identified until we asked Prudential questions as part of our investigation. As such, when the maturity date was approaching, Prudential's records still showed the policy as being assigned to the lender.

In May 2022 Prudential wrote to Mrs H, reminding her the endowment policy was due to mature on 7 November 2022. It told her its records showed the policy was assigned to a mortgage lender. It set out what needed to be done in the event the policy was no longer assigned to the lender.

In September 2022 Prudential wrote to both Mrs H and her lender about the maturity of the policy. In the letter to Mrs H, it again confirmed its records showed the policy was assigned to her lender. It explained what needed to happen for the payment to be made directly to her. However, on 29 September and 17 October 2022 Mrs H's lender confirmed it had an interest in her policy and so the maturity value should be paid to it. It provided account details to allow the payment to be made.

On 28 October 2022 Mrs H's lender responded to a complaint she had made to it. It confirmed that when she changed mortgage in 2018 the endowment should have remained assigned to the lender. This was because she had told it she intended to use it as the repayment vehicle for the interest-only part of the new mortgage. However, it had reassigned it and wrote to Prudential accordingly.

Mrs H's policy was due to mature on 7 November 2022. The policy was encashed on 2 November 2022 in order to clear into the lender's account by the maturity date. Confirmation of the payment was sent to the lender and Mrs H on the same day.

On 4 November 2022 Mrs H called Prudential. She was unfortunately given incorrect information in that she was not told the policy value had already been paid out.

Prudential responded to Mrs H's complaint in a letter of 29 November 2022. It apologised for the waiting times Mrs H had experienced when trying to speak to it and for the fact that it hadn't called her back when calls were disconnected. It offered Mrs H £25 for the cost of the calls she'd made. Prudential also confirmed that when Mrs H had called it on 4 November 2022 she should have been told the payment had already been made to the lender. It offered Mrs H a further £75 for this error. As for the maturity value of the policy being paid to Mrs H's lender, Prudential confirmed that it had written to the lender before the maturity. The lender had responded saying it had an interest in the policy and the maturity value should be sent to it. As such, Prudential didn't consider it had done anything wrong in this respect. Prudential also confirmed that it hadn't received a letter in 2018 from Mrs H's lender releasing its interest in the policy.

Mrs H was not satisfied with Prudential's response and asked us to look into her complaint.

We asked Prudential to confirm the value of the policy on the maturity date, and it confirmed it would have been £21.05 higher. As such, our Investigator recommended Prudential pay this difference plus simple interest at 8% per annum. In relation to the poor service Mrs H had received, the Investigator considered Prudential's apology and the compensation it had paid was sufficient in the circumstances. In addition, she concluded that while Mrs H had been given different information by Prudential and her lender, she wasn't persuaded there was evidence that Prudential had done anything wrong when it paid the maturity proceeds to the lender.

Prudential was unhappy with the Investigator's conclusions about the amount paid out, as those concerns had not been raised with it before we became involved. It objected to the outcome of the complaint as Mrs H had not raised the issue with it or us and it should have been dealt with as a new complaint. It also said it had followed its normal process when dealing with the maturity of the policy.

The Investigator reminded Prudential of our inquisitorial remit and explained why she had dealt with the matter of the incorrect amount having been paid out. She wasn't persuaded to change her conclusions. Prudential questioned whether Mrs H had saved mortgage interest by the funds being paid out early, and so it thought interest shouldn't be paid on the difference between the maturity value and the amount actually paid out.

Mrs H didn't agree with the Investigator's conclusions that the compensation was enough in the circumstances. She said she was self-employed, and the time wasted on telephone calls to Prudential and trying to sort things cost her more than £75. She confirmed that was the hourly rate she charged and so the time she had wasted equated to around £2,700 of lost working hours. This should then be added to the immense stress having to make the calls caused her. Mrs H went on to say that a precedent had been set in 2016 when they had been allowed (with consent of the lender) to take money out of the policy and have it paid to them. Furthermore, Mrs H considered that if the payment had been made at the correct time, rather than early, she could have prevented the money being sent to the lender.

Our Investigator provided Mrs H with a copy of her lender's letter confirming the payment should be made to it. She also confirmed how we review compensation payments and that she remained satisfied the amount Prudential had offered was reasonable.

In relation to the mortgage interest, the Investigator confirmed to Prudential that as she had seen no evidence that Mrs H had saved any interest, she was not minded to change the redress she had recommended.

It was decided that the complaint should be referred to an Ombudsman for consideration. In her final comments, Mrs H said that the whole crux of her complaints against both Prudential and her lender, was that they worked in isolation rather than together, and so it fell to her to be a middle person between them.

Following our investigator reviewing the complaint, Mrs H's lender provided its papers for the complaint against it. It was evidenced in these papers that the amount paid to the lender was more than Mrs H owed on the interest-only part of the mortgage, and the surplus had been passed on to her. The information from the lender resulted in us asking further questions of Prudential, at which time it identified that it had been informed of the reassignment in 2018, but it had not registered that instruction against the policy. In light of this, Prudential agreed to pay Mrs H the difference between the surrender value it had sent to the lender and what the maturity value would have been, plus interest for the loss of use of the funds.

I issued a provisional decision on 26 October 2023, in which I set out my conclusions and reasons for reaching them. Below is an excerpt.

'*Prudential has accepted that there was an administration error in 2018, which led to the situation in which Mrs H found herself. This error was then compounded by an error on the part of her lender. However, as both businesses have accepted those errors occurred, all I need to do in this case is to determine what Prudential needs to do in order to correct its own error.*

Had the mistakes not been made, Mrs H's policy would have matured on 7 November 2022 and the funds would have been paid directly to her. She would then have paid the amount she owed to her lender. Prudential has confirmed the amount that would have been payable on that date was £21.05 higher than the amount it surrendered the policy for a few days earlier. It has confirmed it will pay Mrs H this sum plus simple interest at 8% p.a. to compensate her for the loss of use of this money. As this will place Mrs H in the correct financial position in relation to the maturity value, it is the appropriate offer. As is that relating to the cost of telephone calls it made in the final response, as those calls would not have needed to be made but for the original mistake.*

Prudential also offered Mrs H £75 compensation for not keeping her properly informed in the telephone conversations it had with her and the time those calls took. Mrs H has suggested that she should be compensated based on the amount she bills per hour and the time she spent trying to sort out the problems. I can understand why Mrs H feels thinks this, but we don't determine awards in that way. I consider Prudential's offer was a reasonable sum in the circumstances as they were known at the time it was made. However, since that point, the 2018 error has come to light, which if it had not occurred at all, would have meant Mrs H would not have had any of the inconvenience she did with the maturity or suffered the upset she clearly did. In light of this, I consider that Prudential should increase the amount of compensation to a total of £300 (including the £75 already paid).'

Prudential accepted my provisional decision.

Mrs H said that on the whole she accepted my provisional decision, but she wanted to emphasise that she didn't think Prudential had accepted how grave its mistake in losing the November 2018 letter from her lender had been. She commented that despite being told the lender had sent a letter, Prudential had not completed a search and in her eyes this was incompetence. As such, she doesn't consider the compensation payment of £300 reflected this, or the fact that the error would not have come to light had the complaint not been referred to the Financial Ombudsman Service.

In addition, Mrs H said that had the maturity value been paid directly to her she might not have used it to repay the part of her mortgage the policy was the repayment vehicle for. Instead, she has said that she would have looked at the option of paying only 10% off the balance and investing the remainder of the maturity value. As such, Mrs H doesn't consider the additional £225 covered the losses she suffered in the past and those she will suffer going forward.

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.

I would initially confirm to Mrs H that the total of £300 compensation I considered Prudential should pay her is not to cover any financial losses she has or will suffer. It is a compensation payment for the upset and inconvenience she suffered. Having reconsidered this issue, I remain satisfied that this sum is appropriate in the circumstances.

As for financial losses, the redress already paid and additionally awarded above places Mrs H in the correct financial position and so covers the losses she has already suffered. She has now suggested that if she had received the maturity value herself, she might not have used the money to clear the part of her mortgage the policy was the repayment vehicle for. I accept that had the money been paid to her she would have had that option. However, she is not certain about whether she would have taken that option or not.

In order to award redress for future losses, I would need to be satisfied those losses would definitely occur. That is not certain in this case, as Mrs H equally might have chosen to reduce her mortgage balance, especially given mortgage interest rates had increased significantly over the months immediately before the maturity date and were continuing to rise. So, while investing the maturity value may have made her money going forward, although that would not be guaranteed, it would also have cost her money because she would have to have continued to pay interest on the mortgage balance. It is impossible to know whether if she had received the maturity value Mrs H would have invested it rather than paying off part of her mortgage, and if she had, whether she would have benefitted financially from that decision. In light of this, I remain satisfied the redress awarded is what is appropriate in the circumstances.

My final decision

My decision is that I uphold this complaint. I require The Prudential Assurance Company Limited to pay Mrs H the difference in the fund values detailed above, plus interest*, and a further £225 compensation.

*Interest is at a rate of 8% simple per year and paid on the amount specified from the maturity date to the date of settlement. If The Prudential Assurance Company Limited considers that it's required by HM Revenue & Customs to deduct income tax from any interest due to Mrs H, it should tell her how much it's taken off. It should also give Mrs H documentation showing this to use for HM Revenue & Customs purposes if appropriate.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs H to accept or reject my decision before 15 December 2023.
Derry Baxter
Ombudsman