DRN-4812872

The complaint

Mr and Mrs B complain about an investment bond they held with The Prudential Assurance Company Limited ('Prudential'). They say:

- The value of their investment dropped by around £7,000 between their 2022 and 2023 annual statements.
- The charges were high against the returns they saw.
- The surrender value was lower than they anticipated.

Mr and Mrs B say that as they're cautious investors, they don't believe Prudential have invested their money wisely and want them to refund their losses.

What happened

In August 2011, Mr and Mrs B met with an independent financial adviser who recommended that they invest £100,000 into Prudential's Flexible Investment Plan. And, over the years that followed, Mr and Mrs B took a number of withdrawals from the plan.

After Mr and Mrs B received their annual statement in August 2023, they were surprised to see the value had decreased from £94,435 in August 2022 to £87,468 a year later. Shortly afterwards, Mr and Mrs B decided to formally complain to Prudential. In summary, they asked Prudential to check their plan because they were surprised at the losses and charges that they'd seen.

After reviewing Mr and Mrs B's complaint, Prudential concluded they were satisfied they'd done nothing wrong. They also said, in summary, that as their monies were invested in the with-profits fund, the returns that they could expect weren't guaranteed because the addition of a bonus was never certain. Prudential also explained that the charges they levy are detailed in their terms and conditions which Mr and Mrs B were provided a copy of.

Mr and Mrs B were unhappy with Prudential's response, so they referred their complaint to this service. In summary, they said at their time in life (mid-70s), losing such a large amount of money is devastating. Mr and Mrs B also explained that they've always been cautious investors, so they were surprised to see such drops in the value of their investment and they felt the charges that Prudential had levied were high. Finally, they went on to explain that when they asked Prudential to close their plan, they received back an even lower amount than what they'd seen in their last statement.

The complaint was then considered by one of our Investigators. She concluded that Prudential hadn't treated Mr and Mrs B unfairly because from what she'd seen, their plan was invested in a spread of investments which offered no guarantees at any point. Our Investigator concluded that as the charges levied were covered in the plan's terms, she didn't feel Prudential needed to take any further action.

Mr and Mrs B, however, disagreed with our Investigator's findings. In summary, they said they wanted an Ombudsman to look at the case afresh. The complaint now comes to me for a 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.

I have summarised this complaint in less detail than Mr and Mrs B has done and I've done so using my own words. The purpose of my decision isn't to address every single point raised by all of the parties involved. If there's something I've not mentioned, it isn't because I've ignored it - I haven't. I'm satisfied that I don't need to comment on every individual argument to be able to reach what I think is the right outcome. No discourtesy is intended by this; our rules allow me to do this and it simply reflects the informal nature of our service as a free alternative to the courts.

My role is to consider the evidence presented by Mr and Mrs B and Prudential in order to reach what I think is an independent, fair and reasonable decision based on the facts of the case. In deciding what's fair and reasonable, I must consider the relevant law, regulation and best industry practice. Where there's conflicting information about what happened and gaps in what we know, my role is to weigh up the evidence we do have, but it is for me to decide, based on the available information that I've been given, what's more likely than not to have happened. And, having done so, I'm not upholding Mr and Mrs B's complaint - I'll explain why below.

The crux of Mr and Mrs B's complaint is that they're unhappy their investment has gone down in value between 2022 and 2023. Mr and Mrs B say that between those two statements, their plan dropped in value by around £7,000 and then it dropped again when they decided to close the plan. So, after not seeing the returns in the plan that they were anticipating, they raised their concerns with Prudential. Whilst I can consider complaints about investment performance, in most instances, I would need to see evidence that Prudential had done something wrong and can't just rely on actual or perceived poor performance. That's because even if Mr and Mrs B's fund had underperformed compared to the rest of the market, we don't usually think this proves the fund was mismanaged. Many consumers have seen the value of their investment funds fall over the same period as Mr and Mrs B's investment given the economic conditions not just across the UK, but wider financial markets too. So, to be clear, this isn't just a Prudential issue and it's something many other consumers had to go through at other businesses over this time as well.

I think it's important to make a distinction between what Prudential's responsibility is and that of Mr and Mrs B's original financial adviser. Whilst the consumers have stated that they're 'cautious' investors and didn't want to take risks with their monies, Prudential didn't actually recommend Mr and Mrs B invest with them; their financial adviser did. It was also their adviser that selected the Prudential investment fund that Mr and Mrs B found themselves in. It was Prudential's role to manage Mr and Mrs B's monies in line with the risk mandate of the fund, and from I've seen, that's what they've done. But, it's not Prudential's responsibility to provide advice to Mr and Mrs B about the most suitable investment fund for their monies – they only invest the funds as they've been instructed to do so by the client (or their adviser).

I've looked closely at Mr and Mrs B's investment and more specifically, the investment fund in which their monies were invested. Within Prudential's complaint resolution letter to the consumers, they've stated that Mr and Mrs B were invested in a with-profits fund. Prudential have then gone on to explain how the different types of bonuses are added to the plan. However, from what I've seen of their annual statements and original bond application form, Mr and Mrs B were invested in Prudential's '0-35% Equity Managed Distribution Fund' rather than a with-profits fund. Having found that fund on Prudential's website, it suggests the fund is rated by them as a two to three out of six on their risk scale. The fund fact sheet states that the investment aim of the fund is to provide a regular income and focus on long term growth whilst seeking to limit capital volatility by investing mainly in assets such as bonds, property and UK equities via collective investment schemes. Finally, it says that no more than 35% of the fund will be invested in equities at any one time. So, whilst the fund manager is only able to invest just over a third of customers' monies in equities, as Mr and Mrs B have seen, it doesn't mean the wider fund is without risk too. Given the nature of all the underlying investments within the fund, there's no warranties that it can't go down in value at any stage. But, just because a fund will vary in value over its lifecycle, it doesn't necessarily mean that Prudential have done something wrong – there's lots of factors that can influence the value of the assets held within the fund and these can range from political, economic and wider market factors. I've not seen any evidence to suggest that Prudential have failed to manage the fund in accordance with the risk mandate of it.

Mr and Mrs B explained that they were surprised the value of their plan had fallen even further when they came to take all of their monies out. But, as I've already explained, given the nature of the fund their monies were invested in, the value of their plan would vary daily. In any event, I'm satisfied that Prudential's statements make it sufficiently clear that there's no certainty what the customer can expect to get back when they come to cash the plan in – it states '*the value provided on this statement is for illustrative purposes only and is not guaranteed. It's based on the policy's value at the statement date and may fall or rise. The amount you'll get back will be determined when we receive all of the relevant paperwork at our administration office*'. And, given that Mr and Mrs B had held the plan for well over a decade by the point they came to cash the plan in and the volume of statements that they would have received by then, they ought reasonably to have known that the value they received on encashment wouldn't be guaranteed and I also think that they ought reasonably to have known that the value of their plan would vary given the period of time they'd held the policy for.

On page 19 of the 'Flexible Investment Plan - Policy Provisions' brochure (section 6 – Charges), it sets out the costs that Prudential's customers can expect to pay whilst holding monies in the product. Those charges are also covered on page 9 of Prudential's 'Key Features of the Flexible Investment Plan' brochure. Mr and Mrs B were provided with copies of both documents at the start of their relationship with Prudential and I think it's more likely than not that they were also covered by the original adviser who recommended the plan to them. As I've not seen any evidence to suggest that any costs have been levied that weren't in line with the original tariff, I can't conclude that Prudential have done anything wrong on this specific point.

Whilst I very much appreciate Mr and Mrs B's strength of feeling about the matter, as I've seen nothing to persuade me that Prudential have done anything wrong, I'm not upholding their complaint.

My final decision

I'm not upholding Mr and Mrs B's complaint and as such, I won't be instructing The Prudential Assurance Company Limited to take any further action.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs B and Mr B to accept or reject my decision before 27 November 2024.

Simon Fox
Ombudsman