

The complaint

Mr H complains about the service (and administration) of his investment by The Prudential Assurance Company Limited, referred to as “Prudential”.

To put things right, he’d like answers to his questions and compensation for the distress and inconvenience caused.

What happened

In August 2023 Prudential changed the way that it allocated costs to some funds, resulting in an increase in “further costs”. It notified customers in November 2023.

Between late November 2023 and early December 2023, Mr H wrote four complaint letters to Prudential raising a number of concerns about several issues including (but not limited to) changes that Prudential had brought in and how it might affect him.

A brief chronology of events are as follows:

On 27 November 2023 Mr H first complained to Prudential. In summary, he raised the following issues:

- His unhappiness about the lack of prior notification regarding the changes.
- A request for full details on the overall impact of these charges.
- The suggestion by Prudential that this was a ‘small increase’ is vague, unsatisfactory, and unprofessional – he would like a full(er) explanation.

On 29 November 2023, Mr H raised the following issues:

- His unhappiness about this being a 33% increase in further costs.
- The justification for the substantial percentage increase in further costs, and how it could be fair and reasonable to policy holders.
- Why the final bonus has increased by only 0.07%

On 4 December 2023, Mr H raised the following issues:

- A 30minute telephone conversation call he had with a call operative and the (unprofessional) conduct of the call handler.

On 8 December 2023, Mr H raised the following issues:

- In reference to the regulator’s guidelines, all policyholders should have full details of all charges applied to their policies. He felt he didn’t have this.
- Material provided by Prudential failed to mention or describe what it previously described as ‘substantial’ annual further costs.

In a response dated 7 December 2023, Prudential didn't uphold the complaint. In summary, it said that 2022 was a turbulent year for a variety of global geopolitical reasons and that's why the bond – which had done better compared to its peers – hadn't performed better. It also said that there's no prior notification sent to its customers in relation to changes to the allocation of costs. It also said that the Annual Management Charge (AMC) for these bonds depends on the performance of the fund, in particular investment returns and its expenses.

Unhappy with Prudential's response, Mr H referred the complaint to us. In a complaint form dated 12 December 2023 he confirmed the complaint was about the With-Profits bond (ending in reference 383B) and related to the letters of complaint he wrote to Prudential on 27 November 2023, 29 November 2023, and 4 December 2023.

In summary, Mr H says he has wasted his time and resources in pursuit of this complaint. This has caused him stress, annoyance and upset. Furthermore, it has caused disruption to his personal and financial affairs. To put things right, Mr H would like Prudential to fully, and properly, resolve all aspects of his outstanding complaints and provide fair and reasonable monetary compensation.

Since then, there's been much correspondence between Mr H and our service – and Mr H made additional points, as well as fresh complaints, that are being dealt with separately. I don't think it's useful to provide a detailed chronology. However, by way of summary, I've mentioned some of the key events to provide some useful context.

In a letter dated 20 December 2023, our service acknowledged Mr H's complaint. He subsequently drew our service's attention to correspondence from Prudential dated 5 December 2023 and 18 December 2023 – relating to charges.

On 27 December 2023, I note Mr H complained to Prudential about not getting a response in relation his concerns about how the 4 December 2023 call was handled. In a response dated 18 January 2023 (which should read '2024') Prudential upheld his complaint about the call in which Mr H was making enquiries about the correspondence he sent on 27 December 2023 and 29 December 2023. In short, it said the operator on occasions had talked over Mr H and gave the wrong information in relation how long it would take to acknowledge correspondence. It offered Mr H £75 compensation.

Mr H subsequently submitted another complaint form dated 22 January 2024 – about the same With-Profits bond ending in 383B – but this time he specifically complained about the phone call on 4 December 2023 and the response he received from Prudential dated 18 January 2024.

I note that in a response from Prudential dated 15 February 2024 – in response to correspondence from Mr H dated 22 January 2024, 31 January 2024, and 5 February 2024 – it conceded that the 18 January 2024 letter was incorrectly dated as '18 January 2023' and that this was due to a human error. It acknowledged that it should have addressed the issue from 4 December 2023 relating to the phone call. It was sorry that Mr H had experienced long waiting times, both when he called and also when he was placed on wait. It couldn't locate the correspondence dated 10 January 2024. It offered an additional £75 by way of compensation taking the total to £150.

I note in correspondence dated 15 February 2024, and 22 February 2024, our service acknowledged the additional correspondence and confirmed that it would add Mr H's additional point(s) to the current complaint as it all related.

In a letter to Mr H dated 1 March 2024, our investigator summarised the complaint relating the issues raised by him between 27 November 2023 and 9 December 2023. The

investigator also noted the responses from Prudential dated 7 December 2023, 18 December 2023, 18 January 2024, and 15 February 2024 that related to this complaint.

I'm aware of separate and additional correspondence Mr H received from our service also dated 1 March 2024, which he has forwarded, but this is in relation to a different complaint that he's raised, and with a separate reference number ending in '604'.

The '604' complaint appears to be in relation to a separate complaint form dated 8 February 2024, relating to subsequent phone calls Mr H had with Prudential (in 2024) and is unhappy with. I note Prudential upheld his complaint and sent him a cheque for £75 dated 18 January 2024 – and subsequently offered him another £75 – totalling £150. I understand the '604' complaint is still awaiting and ombudsman's decision.

I'm mindful there's additional correspondence between Mr H and Prudential between March and April 2024, including a further complaint to our service dated 3 April 2024 - in relation to events of 27 December 2023, 29 December 2023, and 4 March 2024.

Mr H has subsequently sent numerous chaser letters to our service between April and May 2024, in relation to this complaint, as well other complaints – namely the complaint mentioned above ending in reference number '604', as well as a new complaint ending in reference number '877' – in relation to the information he received about the value of his bond – which Prudential has also upheld and awarded £75 compensation. That complaint is also awaiting an ombudsman's decision. I'm mindful that all of his complaints relate to the same bond ending in 383B.

One of our investigators considered the complaint – in relation to issues raised in the complaint forms dated 12 December 2023 (and 22 January 2024) – but I think it should be (partially) upheld. In a view dated 30 May 2024, she said:

- In terms of cost, on 15 November 2023 Prudential wrote to Mr H about changes made to the allocation of costs to some of its funds (including the With-Profits funds and funds in the PruFund range) resulting in an increase in 'further costs'.
- She noted that the Annual Management Charge (AMC) for some funds was reduced.
- The annual statement dated 15 November 2023, showed a 'further cost' of £269.23 for the period of 15 November 2022 to 14 November 2023 – a charge of 0.25%.
- The statement also made clear the following:
 - *"These are costs not covered by the Annual Management Charge. These can include, for example, maintenance costs from property investments and costs associated with investing in infrastructure, such as utilities, transport and renewable energy. These can vary over time."*
- In relation to the AMC, the Prudential also made clear the following:
 - *"The Annual Management Charge (AMC) for the With Profits Fund depends on the performance of the fund, in particular the investment returns and our expenses. If for example, over time investment returns are higher, we would expect to increase the charges and if returns are lower, we would expect to reduce them."*
- The AMC covered the cost of things like marketing, administration, and investment management. For the With-Profits funds, the AMC depended on the fund performance and expenses. In essence, if the returns were higher so would the AMC be.
- Despite what Mr H says about a 33% increase in further costs, Prudential confirmed that the AMC decreased by 0.04% and the further costs increased by 0.07% - resulting in a maximum overall impact of 0.03%.
- Prudential confirmed that the overall impact is a small increase in costs, and it has

- reduced the AMC, which partly offset the increase in further cost.
- Prudential also explained that the changes to cost allocation were made to ensure a more consistent distribution of investment costs across asset classes, aiming for improved customer outcomes over the long term.
 - In terms of notification, the Key Features Document (KFD) and Fund Guide made clear that the costs can vary over time and may be higher than they are 'now'.
 - Prudential also made clear that it will write to customers if the AMC changes but not if the further costs change. Prudential made clear the following:
 - *"As it's normal for further costs to vary over time we won't contact you when they change", and*
 - *"Fund charges and further costs may vary in the future and they may be higher than they are now. We'll write to you if an AMC goes up for a fund you are invested in, unless the change in the AMC we quote is part of the expected function of that fund (for example our With- Profits Fund...)"*.
 - Prudential made clear that its customers aren't notified in advance about changes to cost allocations and its literature highlights that changes can vary over time.
 - Detailed information about costs and charges can be found in the annual benefit statement, as well as the KFD. In this case, Prudential has communicated clearly
 - In terms of the final bonus, the KFD makes clear that there are two types of bonuses, namely the regular bonuses and terminal bonus. The latter can be added, although not guaranteed to be added if: a withdrawal is made, switch from the With-Profits fund, cash in the bond, or in the event of death.
 - The terminal bonus is designed to reflect any differences between the regular bonuses that have been added to the bond and the investors share of the actual returns achieved in the With Profits fund over the period of investment.
 - In short, the final bonus isn't guaranteed and can change in the future. If the investment return has been lower over the period of the investment, a final bonus might not be paid.
 - In a letter to Mr H dated 6 December 2023, Prudential explained that the policy had dropped in value due to a reduction in the 2023 yield rate. This means that the income generated from the underlying investments decreased which can lead to lower policy value and potential reductions in bonuses.
 - In terms of the phone call, Prudential wrote to Mr H on 18 January 2024 to address the telephone call on 4 December 2023.
 - In summary, Prudential said:
 - There was a delay in the call handler locating the appropriate documentation.
 - The call handler spoke over Mr H on a few occasions.
 - The call handler incorrectly stated that the correspondence would be acknowledged within five days and that Mr H should allow an additional five days for postage.
 - Prudential explained that re-opened complaints aren't dealt with in the same way as new complaints.
 - There were issues locating the plan number for Mr H.
 - Prudential has since been unable to locate some correspondence from 10 January 2024 which quoted the incorrect plan number – it said this could've been issued by its system.
 - It offered Mr H £75 compensation for the issues experienced, which is fair and reasonable.

In a letter to our service dated 12 June 2024 Mr H stated he wished the unresolved complaint to be referred to an ombudsman – he had no additional points to add but noted that the view dated 30 May 2024 was postmarked 4 June 2024 and received on 12 June 2024.

On 13 June 2024, the investigator notified Mr H that because he disagreed with her view an ombudsman will review this complaint. I note Mr H replied on 13 August 2024 expressing that two months later he's yet to receive an update.

On 19 August 2024, the investigator notified Mr H that his complaint was in still the queue awaiting an ombudsman's decision. An investigator updated him again on 9 September 2024 in the same terms. Mr H replied on 17 September asking to make a service complaint which was acknowledged by our service on 15 October 2024.

As no agreement has been reached, the matter has been passed to me for review.

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 agree with the investigator's conclusion, for much the same reasons. I'm going to partially uphold this complaint, on the basis that Prudential has already paid £75 compensation – subsequently increased to £150 – which I think is fair and reasonable.

On the face of the evidence, and on balance, despite what Mr H says, I'm unable to safely say that Prudential, in response to his substantive complaint points, behaved in such a way that an award of more than £150 is justified.

Put differently, I note Prudential concedes that it made some errors with the phone call on 4 December 2023. In the circumstances I think the £75 compensation paid by Prudential is broadly fair and reasonable. I'm mindful that Prudential has subsequently increased this to £150.

But before I explain why this is the case, I'd like to thank the parties for their considerable patience whilst this matter has awaited review by an ombudsman, due to the current demand for our service.

I also think it's important for me to note I very much recognise Mr H's strength of feeling about this matter. He has provided submissions to support the complaint, which I've read and considered carefully. However, I hope he won't take the fact my findings focus on what I consider to be the central issues, and not in as much detail, as a discourtesy.

The purpose of my decision isn't to address every single point raised. My role is to consider the evidence presented by him and Prudential, and reach what I think is an independent, fair, and reasonable decision based on the facts of the case.

I partially uphold this complaint, in summary, for the following reasons:

- As an independent financial business Prudential is entitled to change the way it allocates costs to some funds. In other words, it has done nothing by introducing these changes. I'm mindful of Prudential's position that it doesn't notify customers in advance about changes to cost allocation, which explains why Mr H didn't receive any prior notification.
- The above notwithstanding, it's also arguable that given the nature of the change, Prudential has done nothing wrong by not seeking Mr H's views on this, as this wasn't a major change and/or overhaul of the service provided. So, it hasn't done anything wrong by not doing so.
- Even if I was to say that Prudential should've notified Mr H sooner, I don't think this resulted in any loss to Mr H.

- I note Mr H was notified about the changes in a letter dated November 2023, in which Prudential said:
 - *“In August 2023 we changed the way we allocate costs to some of our funds. This includes the With-Profits Funds and funds in the PruFund range. Note, not all of these funds may be available on your product. This change has resulted in an increase to the further costs incurred. At the same time, we have also reduced the AMC on some of these funds. The overall impact of these changes is a small increase to the overall costs and charges incurred.”*
- Based on what Prudential says, I’m persuaded that this was a relatively small cost increase – in this instance a 0.25% charge for the period between November 2022 and November 2023 – which was introduced to cover maintenance costs (from property investments) and costs associated with infrastructure.
- I’m aware that these features weren’t covered by the AMC, although the AMC (where appropriate) was reduced to offset some of the further cost, which would’ve made the overall cost increase even lower.
- On the face of the evidence, and on balance, I’m satisfied that in correspondence Mr H received reasonable answers to his questions. I note that he doesn’t like or agree with the answers received (and that’s a matter for him), but that’s not something I can blame Prudential for.
- Despite what Mr H says, I’ve seen no evidence to suggest that costs wouldn’t vary. The Key Features Document (KFD) and Fund Guide made clear that costs *can* vary.
- Whilst I note Mr H is unhappy about the likely percentage increase in further costs, the decision to introduce this is not something that Prudential has to specifically justify to Mr H.
- Prudential has nevertheless made clear that the changes to cost allocation were made to ensure a more consistent distribution of investment costs across asset classes and as a way of improving future customer outcomes.
- A business is entitled to set its own level of fees so long as it has made this clear to its customers, which I believe it has in this instance. If Mr H requires further detail and explanation he can ask Prudential. Mr H should however note that the business may not be able to answer all of his questions or to the detail he wants, owing to the commercial sensitivity of certain calculations.
- In terms of the ‘final bonus’, I note that this isn’t guaranteed, can change on a daily basis, and is dependent on a number of factors mentioned by Prudential. Put differently, if the investment doesn’t do well, this is likely to affect the bonus, both in terms of whether (or not) Mr H will receive one, and if he does, by how much.
- In this instance I can’t comment on whether it would’ve been fair for Prudential to account for poor market performance by adjusting the (interim) bonuses, as opposed to the terminal bonus. I also can’t say that Prudential has done anything wrong because Mr H received a bonus lower than he was expecting.
- I note Prudential has made clear that owing to the global geo-political situation the investment hasn’t done better. In particular 2022 was a turbulent time for the markets which included the Russia/Ukraine conflict, and domestic political instability. I note there is a separate complaint about the value of the bond so I will say no more on the issue.
- I appreciate Mr H isn’t happy about the phone call on 4 December 2023. I note he says he called about an issue that should’ve been dealt with in a few minutes but instead took nearly 30 minutes. I also note that as part of this complaint Mr H included his dissatisfaction about the 4 December 2023 call but it wasn’t addressed until Mr H raised the issues again.
- I note the call handler took time to verify Mr H’s identity as well as details of the plan. I note the sound quality wasn’t great and the call handler was having some difficulty hearing Mr H. Nevertheless, I note Prudential concedes that the call handler shouldn’t have talked over Mr H (which he did on several occasions) or left him

waiting for as long as he did whilst the call handler made enquires. I also note Prudential accepts that Mr H was given incorrect information about how it deals with correspondence. In the circumstances I think £75 compensation for the distress and inconvenience (subsequently increased to £150) is broadly fair and reasonable.

I'm aware that Mr H is unhappy about the way his complaint has been dealt with by Prudential, but complaint handling isn't a regulated activity and therefore not something I can consider in this instance.

I appreciate Mr H will be unhappy that I've partially upheld the complaint but still haven't given him what he wants.

Putting things right

The £75 compensation paid by The Prudential Assurance Company Limited for distress and inconvenience – subsequently increased to £150 – is broadly fair and reasonable.

The Prudential Assurance Company Limited should pay this amount – at total of £150 – if it hasn't already done so.

My final decision

For the reasons set out above, I partially uphold this complaint.

The Prudential Assurance Company Limited should pay the redress – set out above – unless it has done so already.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H to accept or reject my decision before 8 January 2025.

Dara Islam
Ombudsman