DRN-5081904

The complaint

Mrs H is unhappy that The Prudential Assurance Company Limited paid her less than it led her to expect when her mortgage endowment with it matured. She wants it to pay out the value it told her about before the maturity and greater compensation for the stress and anxiety she suffered because of its mistake.

Mrs H is represented in her complaint, but for ease I will refer to all comments and actions as being hers.

What happened

Mrs H took out her endowment policy to protect and repay her mortgage in early 2000. The policy provided life and critical illness cover and had a target value of £67,000 over a term of 24 years. The policy was invested between three managed funds and the premium increased slightly on each of the first five anniversaries.

Mrs H was sent regular reprojections estimating what the maturity value might be based on the policy value at the time, the amount that would be paid in premiums and assumed growth rates. Prudential has provided these documents for the years between 2015 and 2022 and, other than in 2020, the figures were consistently predicting a maturity value of between around £60,000 and £80,000.

Annual statements were also sent to Mrs H and those sent in 2021 and 2022 were giving current plan values and surrender values of between £60,000 and £70,000. However, where the fund breakdown was given further into the document, the value of the holdings was above £90,000 and increased both years. In July 2023 the annual statement sent to Mrs H continued to give a surrender value in the same region as the previous letters, but the plan value had increased to almost £100,000. This was followed up with further letters at the end of 2023 and early 2024, predicting a maturity value of up to just over £106,000.

The policy matured on 28 January 2024 with a value of just over £74,000. This was confirmed to Mrs H in a letter of 31 January 2024. A breakdown of how that figure had been calculated was provided and it was confirmed the money had been paid into Mrs H's bank account.

Two days later Prudential wrote to Mrs H again. It apologised for the fact that the predicted maturity values it had given her in December 2023 and January 2024 had been wrong. It confirmed the actual maturity value had been that given on 31 January 2024 of slightly over £74,000. Mrs H complained on the same day that the maturity value was around £30,000 less than she had been told it was likely to be three weeks earlier.

Prudential responded to the complaint in letters of 6 and 22 February 2024. It apologised for its mistake and acknowledged that Mrs H's expectations would have been raised due to the mistake it had made, but it confirmed that Mrs H was only due the amount it had paid her. Prudential paid Mrs H £675 compensation for this. In addition, it added a month's worth of 8% simple interest to the maturity for the delay in paying the money out, which amounted to £462.

Mrs H was not satisfied with Prudential's response or the compensation offered and asked us to look into her complaint. One of our Investigators did so, but he didn't recommend that the complaint be upheld. This was because he was satisfied that Mrs H had received the amount she was entitled to from the policy and the compensation Prudential had offered her for raising her expectations was fair.

Mrs H didn't accept the Investigator's conclusions. She gave values contained in letters she had been sent that indicated the plan value had been around £94,000 in 2021 and had steadily increased year on year thereafter. She also provided a copy of the unit allocation section of the annual statements showing increasing values from 2020 to 2023. Mrs H said that the reduction in value was nothing to do with unit prices changing, but rather that Prudential had deducted units from the policy at maturity, before it paid out the policy value.

Prudential confirmed that the excerpts were from annual statements and provided full copies of the documents. It also provided copies of the mortgage endowment updates it had sent Mrs H between 2015 and 2022. I have summarised the content of the documents above.

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 previously explained to this Service that system upgrades and migration of older policies onto new systems has caused problems with its valuation of some policies. This has meant that on policies like Mrs H's, Prudential's systems provided incorrect policy values in recent years.

When responding to the Investigator's view of her complaint she listed the values contained in various letters that showed the value of the policy being over £90,000 and increasing year on year. Having looked at the full documents that these figures came from, I am not persuaded that the letters would have led Mrs H to believe the value of her plan was what she has suggested during most of those years. I say this as while the breakdown of the unit holding contained later in the documents were higher, the headline figures documented on the front page of the annual statements and the first page of the plan update content, showed much lower values. So while if Mrs H compared the headline figures with those relating to the unit breakdown, the information may well have been confusing, as the numbers didn't match, I am not persuaded that it would have been reasonable for her to have relied on the latter figures, rather than the headline figures given at the beginning of the documents. It was not until July 2023 that the stated value of the policy increased significantly – by around a third of the figures previously given. This was six months before the policy matured.

Mrs H took out a mortgage endowment policy that aimed to accumulate a value of £67,000 over the 24-year term. It paid her more than its target value. I am satisfied that she received the amount that she was due from her policy.

However, it is clear that for the last few months before maturity Mrs H had her expectations raised. Prudential has acknowledged that would have been the case and it paid her £675 compensation for the upset and disappointment she was caused when she discovered how much the policy was worth. I am satisfied that sum was appropriate and proportionate in the circumstances.

My final decision

My final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I am required to ask Mrs H to accept or reject my decision before 18 December 2024.

Derry Baxter
Ombudsman