

The complaint

Mr H's complaint is about a mortgage endowment policy he had with the Prudential Assurance Company Limited. He is unhappy about its administration of the policy in the months before it's maturity because of how it dealt with an assignment that was recorded on its records. He is particularly unhappy that Prudential said it would pay the money from the policy to the lender the policy was assigned to if the assignment was not released.

What happened

Mr H took out his mortgage endowment policy in 1999. At the time he assigned it to his mortgage lender, Northern Rock. In practical terms, this meant that if Mr H made any changes to the policy, wanted to surrender it or claim the maturity proceeds Northern Rock had to agree to whatever it was that Mr H wanted to do. It also meant that the intention at maturity was for Northern Rock to claim the policy proceeds and pay them directly off the mortgage. The policy had a maturity date of 3 November 2024.

Following Northern Rock ceasing to trade, its book of mortgages was transferred to NRAM Limited. Subsequently, mortgages were transferred to other lenders, including Virgin Money and NRAM plc, which later became Landmark Mortgages.

On 3 May 2024 Prudential wrote to Mr H to remind him that his policy was maturing in November 2024. It told him that its records showed that the policy was assigned to Northern Rock. It explained what needed to be done if the policy assignment shouldn't still be attached to the mortgage – that the lender needed to confirm that it no longer had an interest in the policy. It informed Mr H that he would need to ask the lender to confirm that it no longer had an interest. In the meantime, Prudential wrote to the lenders that Mr H's mortgage may have been transferred to and so may have inherited the policy assignment.

In May 2024 Mr H spoke to Prudential about the maturity of the policy. He was concerned that the lenders that the assignment could have been transferred to might incorrectly claim the money from the policy and he would have difficulty getting it back. He explained that he wanted the money paid to his bank account and was not happy about Prudential writing to the lenders the assignment may have been transferred to.

An update was provided to Mr H in June 2024, at which time Prudential was still awaiting information. On 16 July 2024, following Mr H asking for an update on what was happening, Prudential again confirmed that it was still awaiting a response from one of the lenders – it had received confirmation from the other two that they had no interest in the policy. Mr H complained about the situation.

Prudential responded to Mr H's complaint in a letter of 5 August 2024. It rejected his complaint about it needing to contact the lenders that could have inherited the mortgage and assignment in order to be able to determine where the maturity value should be paid. However, it considered the service Mr H had received was not what it should have been and apologised. In light of this Prudential paid Mr H £100.

Prudential updated Mr H in September 2024 and again confirmed that the policy was assigned when it was set up. It said that it was not sure where the mortgage was transferred to and so it had written to those lenders. Alternatively, it said that if Mr H could evidence that the mortgage had been paid off before 2010 when the transfers happened, he should send that to Prudential. Mr H remained unhappy with Prudential's actions.

Prudential provided a further response to the complaint in a letter of 19 September 2024. It explained that when a policy is assigned, and had not been reassigned by the lender, it needed to have the lender confirm that it had no further interest in the policy before the maturity could be paid to the policyholder. It had written to the lenders that could have inherited the assignment, but one had not yet responded. Prudential went on to confirm that without confirmation that lender didn't have an interest in the policy, it could not pay the maturity proceeds to Mr H.

Chasers were sent to the lender whose response was outstanding and Mr H has told us that he spoke to the lender too. A letter of no further interest was sent by that lender to Prudential on 22 October 2024. This allowed Prudential to pay the maturity proceeds to Mr H, which it did on 1 November 2024.

Mr H was not happy with the responses he received from Prudential and felt it was 'fobbing him off'. As such, he asked this Service to consider his complaint. He explained that he had been concerned that Prudential would pay his money to a third party. Mr H also told us he had spent hours explaining to Prudential that he had never had any contact with the last of the lenders to respond to Prudential, and he felt the onus on proving that the money should be paid to him was placed on him, and it should not have been.

One of our Investigators considered the complaint, but she didn't recommend that it be upheld. She considered that due to the wording used by two of the lenders, it was likely that Mr A's mortgage had been transferred to one of them. As such, Prudential hadn't needed to wait for the third one to provide its response, however, she didn't think it doing so had caused any delays, as the response was received before the maturity date. In relation to the information provided to Mr H, she thought that it may have caused confusion and that was not good service, but she thought the £100 Prudential had paid was fair in the circumstances.

Mr H didn't accept the Investigator's conclusions. He said that he could not express how much the issue distressed him and highlighted that if he had not spent hours finding the correct person at the last lender, Prudential would still have his money and the matter would still be ongoing. Mr H felt that the Investigator had penalised him because he was proactive and did Prudential's job for it. Mr H asked that the complaint be passed 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.

When Mr H took out his mortgage his lender required that the mortgage endowment policy be assigned to it. The effect of an assignment is that it transfers all rights and entitlements under a policy from the policyholder to the lender. This remains the case until the assignment is revoked and until that happens, a product provider has to observe the assignment.

In practical terms this would mean that firstly if Mr H tried to make any changes to the policy, or stopped paying it, the lender would be informed. In addition, it would prevent any proceeds being taken from the policy without the lender's permission – be that upon early

surrender or at maturity. If the lender wanted to claim the funds at maturity to repay his mortgage, it was entitled to do so. If it chose not to, it had to provide Prudential with confirmation of the policy being reassigned to Mr H in the form of a letter of no further interest.

Northern Rock's mortgages were transferred to other lenders after it ceased to trade. Any live assignments for policies like Mr H's would also have been transferred to the new lender. When Mr H's mortgage was paid off, the assignment should have been released. Mr H hasn't told us when the mortgage he took out with Northern Rock was repaid, so I can't know whether that happened before or after Northern Rock ceased to trade. However, it doesn't appear that Prudential received such a notification from whichever lender was responsible for the mortgage at the time it was repaid. It was the lender's responsibility to tell Prudential that the assignment had been released, and Prudential could not have known that was the case unless the lender told it.

As the assignment was still recorded against Mr H's policy, Prudential was not able to pay the money directly to him. Before it could do so, whichever lender had become responsible for his mortgage had to tell Prudential that it had no further interest in the policy.

Due to the fact that the original lender no longer existed, Prudential was placed in a position where it didn't know which lender had responsibility to provide the confirmation it needed. As such, it wrote to all of the likely lenders to make the process as efficient as possible. It also did so at an early stage, thereby allowing plenty of time for the responses to be received before the maturity date. However, beyond responding to any queries from the lenders, as it did with the first two, and chasing for a response, Prudential didn't have control over when or even if it would receive a response.

Two of the lenders responded quite quickly and once they were provided with further information, they confirmed they had no interest in the policy. Both confirmed the mortgage had been paid off, which might have been confusing for Prudential, as it would imply that they had both owned the mortgage at the time it had been paid off, when that was not possible as they were separate businesses. As such, it would appear the letters contained standard wording, which did not necessarily indicate that a response was not needed from the last of the lenders. That was chased and, while I think it likely that Mr H's interactions with the lender were what resulted in the response being provided, I am not persuaded that Prudential did anything wrong in relation to its pursuit of that lender and the confirmation it needed.

I know that Mr H was not happy that Prudential went through the process it did, but it didn't have a choice. While the assignment was in place, it could not pay the maturity proceeds to him. As such, Prudential had to go through the process it did to be able to remove the assignment and give Mr H the policy proceeds. I can understand that the thought that his savings could be paid out to a third party was stressful and upsetting for Mr H, but that was due to the fact his original lender require the policy to be assigned and when the mortgage was repaid, Prudential was not told the assignment had been released – it was not Prudential's doing.

Prudential has upheld the complaint in that it doesn't think the service it provided was what it should have been. I have considered the correspondence sent to Mr H and the conversations he had with Prudential, and the actions he's told us he felt he needed to take to progress the matter.

I understand that the maturity letters sent to Mr H were standard letters generated by Prudential's systems and the information about the assignment was taken from Prudential's records. However, I don't think it helped the situation, or Mr H's confidence in Prudential's

handling of the matter, that nothing was included about Prudential knowing that the lender no longer existed and telling him what it was doing about that fact. I also think that Prudential could have been clearer about what it had done and what the situation was at various points.

I would highlight that I can only consider an award against Prudential for the impact that any errors or poor service on its part has had on Mr H. Most of his concerns and worry came about as a result of the assignment not having been removed from the policy, which was not Prudential's fault, and so I can't make an award for that. Having carefully considered the matter, I think the £100 Prudential has already paid Mr H is fair 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 Mr H to accept or reject my decision before 13 February 2025.

Derry Baxter
Ombudsman