

complaint

Mr B complains about the final value of his mortgage endowment policy with The Prudential Assurance Company Limited. He also says that correspondence it sent in 2007 was misleading about the likely performance of the policy.

background

Prudential did not uphold the complaint. It explained that the policy was not guaranteed and had been set up in 1989 based upon investment conditions and bonuses that applied then. Investment returns have fallen since and as a result the policy failed to reach its target. It also said that its letter of July 2007 was a standard letter and reported only on the policy performance for one year which had been good. But it went on to reiterate that the final value was based upon performance over the whole term and not just one year.

The complaint was referred to this service where it was considered by an adjudicator. He did not feel that the complaint should be upheld saying, in summary, the policy was not guaranteed and this service does not normally consider complaints that relate solely to investment performance. He did not consider the letter of July 2007 to be misleading.

Mr B did not agree. He restated his complaint and said that he wanted a breakdown year by year of the policy value and how it was made up.

Prudential provided a breakdown including the annual bonuses paid and this has been sent to Mr B.

The complaint has been referred to me for a final decision.

my findings

I have considered all the available evidence and arguments to decide what is fair and reasonable in the circumstances of this complaint. Having done so, I have reached the same conclusion as the adjudicator and for essentially the same reasons. I do not uphold this complaint.

The final value of this policy was not guaranteed. Mr B's premiums were invested into a with-profits fund and at maturity he was paid the basic sum assured plus bonuses. The bonuses themselves were not guaranteed and were at the discretion of Prudential.

It is true to say that at the time this policy was sold policies like this one had been performing well and it was widely expected that this would continue. But investment and economic conditions have not been as was expected and many policies for many providers (not just Prudential) have failed to meet their targets. The adjudicator has explained that this service does not normally consider complaints which relate solely to investment performance and there is little that I can add to that.

I have read the letter of July 2007 and it does refer to the "excellent year" the fund had in 2006. But that was just one year and the policy has to be considered over its full term of 25 years. That letter suggested future growth of 6% was a realistic estimate and whilst that may seem optimistic now it was within the regulator's guidelines for the time and we cannot overlook that this prediction was made just a year or so before a global financial crisis. The estimated final values were just that, estimates and nothing more.

It is also the case that Mr B was being sent regular updates about his policy with re-projections of its final value. Since 2003 these re-projections had warned him that the policy was at a high risk of shortfall at maturity and I do not think that the 2007 letter can be considered in isolation from these warnings.

So whilst I can understand and sympathise with Mr B's disappointment with the final value of the policy, I do not uphold this complaint.

my final decision

I do not uphold this complaint and make no award.

Keith Taylor
ombudsman