

complaint

Mr A's complaint concerns his investment in a Prudential Flexible Investment Plan. Mr A complains that The Prudential Assurance Company Limited took £1,000 from his investment and paid this to the business providing the advice. Mr A is also unhappy that further commissions were paid to that business, and that deductions were made when he surrendered the investment. Mr A is looking for a refund of these amounts which he believes have caused him to receive a surrender value that was significantly less than the amount he invested.

background

Mr A took out this investment after receiving advice from his independent financial adviser ('IFA') in 2007. In 2009 Mr A surrendered the investment and received significantly less than he had invested.

In April 2012, Mr A complained to Prudential. The business did not uphold the complaint. Mr A then referred his complaint to this service where it was investigated and assessed by one of our adjudicators.

Our adjudicator did not uphold the complaint as he was not satisfied that the business had done anything wrong. He explained that Prudential was entitled to make the commission payments and apply the early surrender charges. Furthermore, our adjudicator explained how the surrender charges associated with the investment and the fund performance would have caused the reduction of Mr A's capital.

Mr A did not accept the adjudicator's assessment and asked for the complaint to be referred to an ombudsman.

my findings

I have considered all the available evidence and arguments to decide what is fair and reasonable in the circumstances of this complaint, including any further representations received since the adjudicator issued his view.

Firstly, I should make it clear at outset that this decision relates to the actions of the provider of the investment which is Prudential. It does not relate to the actions of the business that gave Mr A advice and sold the plan to Mr A.

Mr A has queried why our adjudicator has not reviewed his concerns relating to that business. This is because this complaint is about the product provider, as opposed to the business that sold the plan to Mr A. In addition a decision has already been reached by our service on the complaint about the business that sold the plan to Mr A. As that matter has been dealt with to finality it would not be appropriate for me to consider it here.

Mr A complains that Prudential paid his IFA £1,000 in initial commission which he says was taken out of his investment. Whilst the initial commission was paid to the IFA, I am satisfied on balance that the money was not taken out of the money he invested. I am satisfied, having taken into account the investment documentation, that the entirety of Mr A's lump sum was used to purchase units in December 2007. The £1,000 commission payment was the subject of a contractual agreement between Prudential and the IFA as part of the remuneration for the original sale. I also consider it was made clear in the personal illustration issued on November 2007, which I am satisfied on balance was provided to Mr A, that the business would pay commission of £1,000 to the IFA for arranging the plan.

Mr A also complains about the trail commission paid from his plan. I consider on balance that the illustration made it clear that in addition to the initial commission, Prudential would also pay 0.5% of the fund value annually to the IFA. Prudential has confirmed that a single payment of around £80 was made to Mr A's new IFA in 2008. No further trail commission was paid as Mr A had asked Prudential to remove all reference to an adviser from his investment plan. This commission would also be part of a contractual agreement between the product provider and the IFA or servicing agency. I am satisfied therefore on balance that the business was entitled to pay this commission and that it was made clear that the trail commission would come from the deductions from the investment.

In addition this commission payment is included in the Annual Management Charges ('AMC'). A product provider is entitled to charge the AMC to cover the costs it incurs when managing and administering the investment. In this instance, the product literature explains that the AMC would be equal to 1.4% of the value of the funds. I also note that the personal illustration includes a section entitled '*How much will the charges and expenses affect my investment*' to demonstrate the impact of the AMC.

Mr A also complains that he incurred a charge for surrendering his investment early. I am satisfied, having considered the policy documentation that the provider was entitled to apply this charge. I am also satisfied that Mr A was provided with information which made it clear that a charge would be applied upon the surrender of the investment in the first four years. That charge was set out clearly as a percentage of the fund. It was also made clear that no charge would apply after the end of the fourth year.

This sort of charge is not unusual and is applied by a product provider in order to prevent investors from selling their investments in the first few years. It also enables the product provider to recover the costs incurred when establishing the investment.

I appreciate that Mr A must have been extremely disappointed to have received significantly less than the capital he invested. However, I am unable to hold Prudential responsible for Mr A's losses, which have resulted mainly because of the performance of the managed distribution fund in which Mr A's capital had been invested (and also because he surrendered the policy before the end of four years.) Prudential has provided the fund unit price from the when the investment was initially taken out and when it was sold. These show that the fund unit price had fallen considerably. I cannot uphold a complaint on the grounds of purely poor performance.

Overall, therefore, whilst I am mindful of the disappointment which Mr A has experienced at the reduction in the value of his investments, I am not persuaded on balance that Prudential has acted incorrectly or unfairly in this case.

my final decision

My final decision is that I do not uphold Mr A's complaint and make no award.

Julia Chittenden
ombudsman