

complaint

Mr R complains that he was given incorrect information about the surrender value of a policy he held with The Prudential Assurance Company Limited.

background

Mr R started the plan as a regular savings life assurance plan in the 1980s and it had been later converted to a whole of life policy. In 2017 he made enquiries with Prudential about surrendering it.

It appears Mr R had been aware from previous correspondence that upon surrendering the policy a deduction would be made to account for a company capital gains tax (CGT) liability. When he asked what this deduction was likely to be he was told that there wouldn't be one. But this was incorrect and a deduction of over £5,000 was actually made from the surrender value of nearly £35,000.

Prudential acknowledged the error and offered Mr R compensation of £100. But he didn't accept this and referred the complaint to us.

Our investigator felt that Prudential's offer was fair in the circumstances. Mr R also had some concerns about the accuracy of the CGT liability so the investigator obtained some additional information from Prudential about how it had been calculated.

Mr R remained unhappy, so as no agreement could be reached the matter's been referred to me to review.

my findings

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

I think Mr R was aware when he enquired about surrendering the policy that there would be a deduction for CGT. It had been referenced on all his previous statements and he'd also been given a specific figure for the CGT amount at the time of an earlier enquiry in 2011.

Listening to the call he made to arrange the surrender he did ask "*What* deduction would be made for capital gains?" not "*will* there be a deduction?" So I think he clearly was, correctly, expecting there to be a deduction.

So, for him to then be assured by Prudential that there *wouldn't* be a deduction when there was actually going to be one of over £5,000 – or 15% (a higher rate than 2011) – would in my view have led to quite a loss of expectation.

I accept that given the previous information Mr R had received it could be argued that he should have pressed the issue and queried being told the CGT deduction would be zero. But ultimately it was for Prudential to give Mr R the correct information.

The error aside, I'm satisfied that Prudential was correct to make the deduction, in accordance with the terms of the policy. And the calculations it's provided indicate that the deduction it made was for the correct amount.

Also, given that Mr R was aware of the CGT situation before making his enquiry I don't think it's likely he would've have acted differently – maybe deciding not to surrender the policy – if he'd been given the correct information. Prudential has also confirmed that the liability is a company one that doesn't relate to Mr R's personal capital gains situation.

But I think the trouble and upset caused by the error was likely to have been greater than the offer of £100 suggests. So I've asked Prudential to increase it to £200 and it has agreed. I'm satisfied this represents a fair and reasonable resolution to the matter.

my final decision

For the reasons given, my final decision is that I uphold the complaint and direct The Prudential Assurance Company Limited to pay Mr R a total of £200 for the trouble and upset cause by its error.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr R to accept or reject my decision before 8 June 2018.

James Harris
ombudsman