

complaint

Mrs and Mr C are unhappy about the maturity value of their endowment policy held with The Prudential Assurance Company Limited (Prudential). They believe they were given assurances by Prudential that their policy would reach its target value and they are concerned that other policy holders may have received proportionally higher bonus payments than they have.

background

Mrs and Mr C arranged an interest only mortgage in 1988 for £10,200. At the same time they set up a 25 year endowment policy with a target value of £10,200 intended to repay their mortgage in full at the end of its term. The endowment policy was sold to Mrs and Mr C by a third party.

In 1999 Mrs and Mr C telephoned Prudential as they were concerned that their policy would not meet its target value as the bonuses being paid seemed modest. They say Prudential told them not to worry as their terminal bonus would be much higher and would make sure their policy reached its target value at maturity.

Mrs and Mr C complained about the advice given to them by a third party when their endowment policy was sold to them. In 2004 they received compensation for the mis-sale of the endowment policy from the third party.

In 2013 the endowment policy matured with a value of around £8,000 and a shortfall of around £2,000 below the policy's target value. Mrs and Mr C complained to Prudential as they were unhappy with the maturity value received. They say they were disappointed as they thought that they had been given assurances in a telephone call in 1999 that their policy would reach its target value following payment of the terminal bonus. They had also seen publicity in 2007 that said that Prudential endowments were paying out target values.

In addition they are concerned that other policyholders have been paid proportionately higher amounts at maturity than they have and they want Prudential to provide evidence that this is not the case.

Prudential did not uphold the complaint. In summary, it said that investment conditions had adversely affected the policy's value but it confirmed the value received represented their fair share of the fund.

Mrs and Mr C were dissatisfied with this response and so referred their complaint to this service where it was considered by an adjudicator. The adjudicator did not recommend that the complaint should be upheld. She was not persuaded that the maturity value had been guaranteed by Prudential and she didn't believe that she had seen any evidence to show the business had done anything wrong.

Mrs and Mr C did not accept the adjudicator's view and they asked that an ombudsman review their complaint.

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 reviewed the information available

I find I am in agreement with the adjudicator and for broadly the same reasons. I will explain why.

Firstly I would like to sympathise with Mrs and Mr C's frustration at not having been able to obtain the information they require regarding their endowment policy. I can understand Mrs and Mr C's strength of feeling on the matter and their disappointment when their endowment policy matured with a shortfall and failed to repay their mortgage.

Mrs and Mr C have complained about a number of issues, which I have considered in their entirety. I will focus my decision on the points that I consider to be central to this complaint. This is not intended as a discourtesy, but is a reflection of this service and my role within it.

I understand that the performance of the Prudential endowment policy and the shortfall against target value that Mrs and Mr C have been left with at maturity is central to this complaint. Mrs and Mr C also believe they had reassurances given in 1999 that their policy would reach its target value and they fear there may be some unfair apportionment of bonuses which has left them at a disadvantage to other Prudential policyholders.

I have no doubt that at the point the endowment policy was sold to Mrs and Mr C by a third party, it was portrayed very favourably by the advisor. I note that Mrs and Mr C complained about the sale of the policy in 2003 and have received compensation in relation to the sale of the policy.

Guarantees of performance

Under the terms of the contract between Mrs and Mr C and Prudential, Prudential undertook to invest Mrs and Mr C's premiums each month, after paying its costs and the cost for life cover. The objective of the policy was to invest Mrs and Mr C's money so that it would at least reach the "target amount" of this mortgage through the sum assured payable at maturity and any bonuses added – *but the final amount was not guaranteed*. I am not persuaded from the information available that Prudential guaranteed to Mrs and Mr C that they would receive the target value of their with-profits policy and that their mortgage would be repaid in full.

Mrs and Mr C say that they were assured in 1999, during a telephone conversation with Prudential, that their policy would reach its target value. They had telephoned as they were concerned about a potential shortfall but were told the terminal bonus would make up the value of the policy up to the target value at maturity. Prudential is not able to provide a copy of the telephone call but, in light of the fact this call occurred 15 years ago, I do not consider this unreasonable.

Prudential has provided a copy of the quotation issued on the same date as the telephone call. This letter shows possible maturity values of the policy at both 4% and 8% per annum growth rates. A possible shortfall is shown using a 4% growth rate and a possible surplus is shown at an 8% growth rate. The letter makes it clear that "*the projected figures are only examples and are not guaranteed*" and that "*you could get back more or less than the examples shown*".

Prudential says that regular reviews of the policy were sent annually to Mrs and Mr C from 2000, indicating the potential future value of the policy and making Mrs and Mr C aware of any actions they may wish to take in the event of a shortfall becoming likely at maturity.

On the balance of probabilities, I believe that Mrs and Mr C may have interpreted the information given by Prudential in 1999 to have been an assurance that their policy would reach its target value, but I doubt that would have been the message that Prudential intended. I say this because in all other communication with Prudential there are no such assurances and I am satisfied that Prudential made it sufficiently clear in written correspondence that the maturity amount of the policy was dependent upon the performance of Mr and Mrs C's investment.

Fund performance

Mrs and Mr C are unhappy with the level of growth achieved by their policy and they consider that fund performance detailed in the media in 2007 suggested that bonus payments owed to them might be greater than those received.

We asked Prudential to confirm that the maturity value given to Mrs and Mr C was correct. It has investigated the matter and confirmed to us that the bonus payments and maturity value of Mrs and Mr C's policy was correct.

The bonuses paid are a result of actuarial calculations, professional judgements and commercial decisions made over an extended period of time. I see nothing to suggest that decisions made about bonus levels were clearly wrong or that there is any evidence of mismanagement by Prudential.

Fund underperformance, due to fund management decisions, economic factors and professional judgement is incredibly difficult for me to objectively assess due to the lack of transparency in products of this nature but also due to the subjective nature of investment management and investment selection. I am mindful that Mrs and Mr C have already encountered this lack of transparency when making their complaint to Prudential.

Mrs and Mr C ask for evidence from Prudential regarding its allocation of bonuses to satisfy themselves that they have received the correct apportionment of funds. Prudential has provided gross and net return rates and confirmed that every policy which matured from 1 April to 31 December 2013 would receive the same 40% terminal bonus rate. I appreciate that Mrs and Mr C do not believe that they received the same bonus rates paid to other policy holders. However, from the information available to me, I am not persuaded Prudential has unfairly withheld bonus payments from Mrs and Mr C.

my final decision

For the reasons given, my final decision is that I do not uphold this complaint. I make no award against The Prudential Assurance Company Limited.

Emma Peters
ombudsman