

complaint

Mr P is unhappy that a policy he took out with The Prudential Assurance Company Limited now won't cover the cost of a funeral, and he feels he was badly advised.

background

In 1966 Mr P took out a whole of life policy with Prudential. Mr P wanted the policy to pay for his wife's funeral costs, and it would pay out on her death. Mr P's wife also took out a similar policy at that time, but I'm only considering Mr P's complaint in this decision.

Mr P paid a premium of £0.20 every four weeks until 1993, after which Prudential deducted costs from the policy value instead. After adjustments over the years for tax changes and decimalisation, the sum assured by the policy is £141.41 plus bonus additions. The current policy value is £1,836.81 but Mr P says this isn't enough to cover the costs of a typical funeral nowadays.

So he complained to Prudential but it didn't uphold his complaint. It sympathised but said the policy didn't define the cost of a funeral or guarantee to keep up with inflation. Instead it gave Mr P an assured sum plus additional bonuses. It also said that while the policy wouldn't cover the cost of a typical funeral now, Mr P has seen a significant return on the premiums he'd paid.

Mr P disagreed so he contacted the ombudsman service. The investigator didn't uphold his complaint, as she thought the policy was a reasonable recommendation based on what Mr P had wanted it for. And she explained that the sum assured was the only amount the policy guaranteed, that the policy had provided a significant level of growth, and that Prudential wasn't obliged to tell Mr P the policy wasn't keeping up with inflation.

Mr P disagreed so it's been passed to me to make a decision.

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'll firstly look at Mr P's concern that he was badly advised when he took the policy out in 1966. At that time, financial advisers weren't required to follow the same rules and regulations as they are today. So they didn't have to record what products they'd recommended and why. But they did need to:

- not mislead customers about the products they were selling
- give advice with reasonable skill and care
- make sure their recommendations were appropriate for the customer

Because there's very little information from the time the policy was sold, I can't say exactly what Mr P and Prudential discussed. So I have to base my decision on what I think is most likely to have happened based on the information I do have. Mr P has told us he wanted a policy to cover his wife's funeral. And the type of policy he has is a reasonable one for that purpose, because it stays in place for the lifetime of the insured and it becomes payable on their death. So for that reason, I don't think Mr P was badly advised.

Secondly, Mr P is very unhappy that even though he took the policy to make sure his wife's funeral costs would be covered, the current value isn't enough to do that. I agree that it isn't enough, and I understand why he's frustrated about this. But I've looked carefully at the policy wording and unfortunately it doesn't say anything about covering the cost of a funeral or what such a cost might be. Instead, it guarantees to pay out the sum assured plus additional bonuses based on fund performance. Mr P could then use this money to pay funeral costs.

Mr P has said that if his wife had died soon after he took out the policy, it would've been enough to cover her funeral costs at that time. And I agree - the sum assured probably would've been enough to pay for a funeral in the early years. But for the sum assured to rise with inflation, as funeral costs have done, the policy would need to have been 'index-linked'. But it wasn't. If it had been index-linked, it's very likely Mr P would have been asked to pay higher premiums over the years. Since Mr P has paid a total of around £100 in premiums, I think he's had a reasonable return compared to what he's paid.

I know Mr P will be disappointed but I can't say Prudential has done anything wrong. So I won't be asking it do anything.

my final decision

For the reasons I've explained above, I'm not upholding this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr P to accept or reject my decision before 5 July 2018.

Ailsa Wiltshire
ombudsman