

complaint

Ms N's complaint is about an error The Prudential Assurance Company Limited has told her it made when she surrendered the policy in 2003.

In resolution of her complaint Ms N would like her questions and concerns answered:

- Why did the error occur?
- Why did it take 15 years to discover the error?
- How was the additional payment calculated?
- Proof that the additional payment was calculated correctly.
- Calculate whether she has lost out financially as she would have used the additional funds toward a house deposit.

background

In 2003 Ms N surrendered her mortgage endowment policy. In 2017 Prudential contacted Ms N about her policy and in early 2018 it confirmed that it had made a mistake when it had calculated the surrender value in 2003. It sent her a cheque for the shortfall in payment plus net interest from the surrender date.

Ms N said that as no explanation was given as to why the error had occurred, why it had taken so long to identify or how the payment had been calculated, she was left wondering how Prudential could be sure that it had corrected its mistake. So she contacted Prudential with her concerns, but didn't receive answers to her questions or reassurance that the payment was right. Prudential did, however, pay her a higher rate of interest on the shortfall and £150 for any distress or inconvenience it may have caused her.

Ms N referred her complaint to this service as she was not satisfied with Prudential's response. She said she still didn't have answers to her questions. She was also concerned that she might have lost out financially as she had used the surrender value for the deposit on a new property and might have been able to increase that deposit, but for the error.

Ms N's policy was not originally taken out with Prudential, but another life assurance company that is now part of Prudential. Following our involvement Prudential explained that over recent years it has identified a number of issues caused due to discrepancies between different systems – its current ones and those from the life assurance company Ms N's policy was arranged with. In light of this it has been working through all the policies that could have been affected by the issues to see if any additional payments are due to policyholders. It has confirmed the error it had made in respect to Ms N's policy was that it had applied a Market Value Adjustment (MVA) when the policy was surrendered.

One of our adjudicators confirmed what the cause of the error had been and also that we were not able to check the calculation completed by Prudential to see if it was right. However, she was satisfied that the industry regulator (the FCA) was aware of what was happening and, if there were any concerns about what Prudential was doing or how it was calculating redress, the FCA would take action.

In relation to whether Ms N might have suffered a loss by not having the additional funds at the time of surrender, the adjudicator wasn't persuaded that we could make an award in this respect. This was because after so long we couldn't be certain what Ms N would have used

the money for. In addition, the 8% interest paid is a higher rate in order to compensate for the loss of use of money, whatever it may have been used for.

Ms N accepted that her first and last points (as detailed in the complaint section) had been addressed and was satisfied, but didn't feel that any attempt had been made to answer the other three points.

Our adjudicator again explained that she was not able to provide a response to those questions and reiterated that Ms N could take reassurance about the calculations from the fact that the FCA was involved. Ms N asked for her complaint to be passed to an ombudsman, as she is entitled to do.

my findings

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

Ms N has accepted that her first question about why the error occurred has been answered. She has also confirmed that she is satisfied with the adjudicator's view regarding whether she has lost out financially by receiving the c £500 15 years after she should have. As such, I don't intend to comment further on these issues other than to say that the redress offered is in line with what I would award in such circumstances.

Ms N wants to know why it took so long for the issue with her policy to be identified and how she can know that the payment that has been made is correct. The information that Prudential has provided about the exercise it has been undertaking is that it is not a quickly remedied situation. So it had been working through potentially affected policies gradually over time to ensure that it gets it right – for each policy it has to complete a 're-build' exercise to check the value, which has to be done individually and is a time consuming process. In addition, for policyholders like Ms N, Prudential would have had to have found them in the first place, due to house moves following the last contact about their policies. Whilst a specific explanation for why Prudential contacted her when it did can't be provided, I hope this gives her some comfort that there isn't any evidence that Prudential was avoiding dealing with its error in respect to her policy or trying to disadvantaging her.

As for the calculation, even if Prudential were able to provide us with a print-out of the calculation it had undertaken, we don't have the facility to undertake a review of it to check that it is right. I know that this is not what Ms N wants to hear, but that is the case. She has asked how she can be confident that the calculation has been done properly. I can't tell her that she can for certain, but that would apply to almost all calculations that life assurance companies complete in relation to policy values because they are often very complicated actuarial calculations. However, in this situation Ms N can take comfort in the fact that the FCA is involved in the redress exercise. As our adjudicator has explained, if the FCA had any concerns about the assessments and calculations that Prudential were completing, it would intervene.

I know that this doesn't give Ms N the black and white answers to her questions that she would like, but unfortunately, it's not possible for us to do so. That said, it is clear that Prudential failed in its duty of care towards Ms N when it incorrectly calculated the surrender value in 2003 and in not providing at least some of the answers she was asking for when she sought to understand what had happened and reassurance that all was correct following its assessment. Prudential paid £150 for any inconvenience it caused Ms N and I think that

is a fair and reasonable amount in the circumstances. If Ms N didn't cash the cheque Prudential sent her in May 2018 and requires a replacement, she should contact Prudential and it should replace the cheque.

my final decision

My final decision is that I consider that The Prudential Assurance Company Limited has provided Ms N with poor service in relation to the error made and its communication about it. However, the offer it has made already is sufficient to compensate Ms N for the inconvenience this caused and is fair and reasonable in the circumstance.

Under the rules of the Financial Ombudsman Service, I am required to ask Ms N to accept or reject my decision before 14 January 2019.

Derry Baxter
ombudsman