

## **Summary of complaint**

Mr and Mrs B complain about the performance of their mortgage endowment policy held with The Prudential Assurance Company Limited (Prudential). They are unhappy as they believe that Prudential has underpaid bonuses on their endowment policy, and has charged excessive administration costs and fees.

## **background**

In 1988 Mr and Mrs B arranged a with-profits endowment policy with a target value of £36,000. The endowment policy was taken out alongside an interest only mortgage, for the same amount, to buy a new property. The with-profits policy was provided by Prudential although advice regarding the policy was given by a third party.

Mr and Mrs B complained some years ago about the advice given when the policy was sold and they have received compensation for this from the third party.

As their policy approached maturity, Mr and Mrs B became increasingly unhappy about the performance of their endowment. In 2013, their policy matured with a value of around £29,000, with a shortfall of around £6,000 from its target value. They complained to Prudential about the performance of their endowment and wanted Prudential to compensate them by paying the difference between their policy maturity value and the target amount.

Prudential did not uphold their complaint.

And so Mr and Mrs B brought their complaint to this service where it was considered by one of our adjudicators. Having reviewed the complaint, the adjudicator recommended that the complaint should not be upheld. In summary, she was not persuaded that guarantees of performance had been made by Prudential, and she believed that the payment of bonuses and fees charged by it were decisions fairly made by Prudential using its commercial judgment.

Mr and Mrs B did not agree and have asked for an ombudsman to review their complaint.

## **my findings**

I have read and considered all of the available evidence and arguments to decide what is fair and reasonable in the circumstances of this case. Having done so, I find I am in agreement with the adjudicator's view and for broadly the same reasons.

I can understand Mr and Mrs B's strength of feeling regarding their frustration about the poor performance of their with-profits endowment policy. I appreciate that this policy was intended to repay their mortgage and it has failed to do so. In 1988 when the policy was sold, with-profit endowment policies like this had been performing well and were projected to mature at amounts over and above their target values.

I note that Mr and Mrs B have complained about the sale of their policy in the past and have received compensation for the unsuitable advice they received from a third party.

At the heart of this complaint brought against Prudential is the investment performance of the endowment policy, and whether any guarantees or assurances were made by Prudential to Mr and Mrs B that have subsequently not been met.

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

Mr and Mrs B are unhappy with the level of growth achieved by their policy and Mr B has made it clear that he considers that the overall fund performance, and wider profitability of Prudential, appears to have been better than the bonus payments made to their policy might suggest. However, the bonuses payable, returns on the fund and the ultimate maturity value of their policy 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 so clearly wrong that they could be said to be evidence of mismanagement.

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. However, I am satisfied that Prudential was empowered to use its professional judgement to make such investment decisions on behalf of the fund.

Mr and Mrs B also complain of the "exorbitant fees" charged by Prudential. I have read Prudential's submissions regarding how charges have been applied to the particular fund in which Mr and Mrs B's policy was invested and the impact that costs have had on the fund's returns from 2007 to 2011. Whilst it is the role of the regulator to evaluate the fee levels set by firms, I can comment on whether charges have been fairly and reasonably applied in the circumstances of a complaint. I am not persuaded from the evidence provided that fees or charges have been unfairly applied to the fund, or payment of bonuses, in this instance.

I can fully understand Mr and Mrs B's disappointment that the policy they have paid towards for 25 years has not met its target value. However, the policy was an investment and some investments do well and others do not – that is the nature of investing and each investment carries its own level of security or risk.

### **my final decision**

For the reasons given, my final decision is that I do not uphold this complaint.

Emma Peters  
Ombudsman