

summary of complaint

Mr C has complained to The Prudential Assurance Company Limited about the performance of his mortgage endowment policy. He says the commission payments and fees deducted from the premium payments have had a large impact on the performance of his policy, which has led to a shortfall.

background to complaint.

Mr C started this policy in 1988 and it matured in 2012 with a shortfall on its target. He made a complaint to Prudential about the final maturity value of his policy and said that fees and commission payments had a large impact on his policies under performance. Prudential rejected his complaint about the investment performance.

Unhappy with that response, Mr C referred the complaint to this service. One of our adjudicators looked at the complaint but she was of the view that it should not be upheld.

Mr C has restated his complaint and asked that an ombudsman review it and so the case has been referred to me for a final decision.

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 done so, I have reached the same conclusions as the adjudicator and for much the same reasons.

I can only uphold a complaint where it is fair and reasonable to do so and usually that means making a finding that the business has got something wrong. Simply because things have not worked out very well is not enough.

In respect of the investment performance of the policy, Prudential promised only to take Mr C's premiums each month and invest them, after paying costs and the cost for life cover.

The object was to invest his money so it would at least reach the amount of his mortgage but there was no guarantee of that. As far as I can see that is what Prudential did. The value of the policy is what it is, no more and no less.

Mr C has made a number of comments regarding the commission payments made to the business responsible for the sale. However the amounts of commission to be paid are worked out at the outset, taking into account the growth rate needed for the policy to reach the target amount at maturity. Had the policy achieved the growth rates that were projected and expected the policy would have reached its target despite any commission payments. So in that sense the shortfall is not due to the commission payments.

It is very unfortunate that the value of the policy did not grow by as much as Mr C, or Prudential, had hoped, but that does not mean it has done anything wrong. Investment and economic conditions have not been as expected throughout the term of the policy and expectations for growth in 1988 were higher than they are now.

Also, changes in bonus rates or asset allocations are highly confidential commercial matters which most people in the business will know nothing about until such changes become public knowledge. The many decisions made by Prudential and the fund's actuaries and

managers are exercises in commercial and professional judgement and discretion. I will not interfere in these decisions and it is not the role of this service to second guess the business or replace its judgement with our own. I cannot apply hindsight.

All I can consider is whether this complaint should be upheld or not. From what I can see Prudential has done what it said it would do, the policy was not guaranteed and as Mr C has pointed out, this policy has performed better than other similar policies he held.

I can fully understand Mr C's disappointment when the policy he had paid towards for 25 years has matured with a shortfall. However, this 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. At the time of sale there would have been considerable optimism about a policy like this and how it was likely to perform

I have seen nothing to suggest that Prudential has done anything wrong in this case.

my final decision

My final decision is that I do not uphold this complaint and make no award against The Prudential Assurance Company Limited.

Keith Taylor
ombudsman