

complaint

The complaint concerns a life assurance policy taken out by Mr S, which matured in 1999. The maturity proceeds were not paid out until 2012. Mr S was unhappy with the rate of return the Prudential Assurance Company Limited used to compensate for the delay. He was also unhappy that the value was being taxed at source and wanted the calculations checked. Prudential provided a breakdown of the calculations, an explanation of the rate of return and £300 for the distress and inconvenience caused.

background

The complaint was investigated by one of our adjudicators. She issued her opinion to Mr S in which she set out her reasons for not upholding the complaint. She was satisfied with the information Prudential had provided to Mr S. She was also satisfied with the tax treatment and calculations of interest applied to the unclaimed funds. She concluded that the rate of return was in-line with the approach used by this service. She was of the opinion that £300 was an appropriate level of compensation.

my findings

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

I do not believe it is disputed that Prudential failed to provide an adequate level of service when Mr S's policy matured and that this led to a delay in payment of his proceeds. The material issue I should consider is what is now necessary to reasonably remedy the situation.

I would confirm that the Financial Ombudsman Service is not the industry regulator (that is the Financial Conduct Authority) and it is not my role to impose general, business wide, remedial measures on the Prudential. My role is to address Mr S's individual complaint and assess what is required to put matters right, if he has been disadvantaged.

The prudential has offered to pay a sum to Mr S to recognise any distress and inconvenience he has been caused plus supply him with the maturity value of his policy with the addition of a rate of interest calculated at Bank of England Base rate (BOE). I have considered if this is a reasonable rate to apply and I consider that it is. It applies a reasonable rate of total return over the period that the maturity value was not paid.

I appreciate that Mr S has said that he could have invested the maturity value tax efficiently and therefore obtained the gross value of any return or interest. He has also queried the use of the rate itself (BOE). That the money could have been invested tax efficiently is possible but that is one of many possibilities as to what could have happened to the money. It could have been invested, placed on deposit, used to repay debt or simply spent for example. We do not know to exactly what use the money would have been put and so the use of an average rate is not unusual in the absence of any certainty. Similarly the use of an interest rate is not unreasonable. I note that the Prudential have confirmed they have compounded interest annually and supplied the rates they have used.

As to the interest being paid gross or net, Prudential are obligated to deduct tax from interest in the normal way and allow for this to HMRC. I do not see anything wrong in the practice. They are applying an interest rate and interest is, on the face of it, taxable. If it does so,

however, it should supply a tax deduction certificate so that a claim can be made to recoup any tax levied if appropriate and applicable.

As to refusing to provide the proceeds, I have assumed that Mr S was referring to the Prudential asking for acceptance of its offer before it released the maturity value. I think the Prudential could have released the money whilst still discussing how to resolve the complaint, so I do not believe it acted correctly. However I believe the redress it has offered would provide a reasonable resolution, overall, for the complaint.

my final decision

I believe the redress Prudential have offered is fair and reasonable in the circumstances. Therefore I do not uphold the complaint or make any award.

David Bird
ombudsman