

complaint

Mr and Mrs W are unhappy with the maturity value they received from The Prudential Assurance Company Limited when their mortgage endowment policy matured. They say Prudential used a set of rules that didn't apply to their policy which meant units were incorrect allocated.

background

Mr and Mrs W took out this unit-linked mortgage endowment policy in December 1991. It had a minimum death benefit (and target maturity amount) of £75,000, a monthly premium of £123.90 and a 25 year term. The premiums were invested in the with-profits fund. When the policy matured a sum of just under £59,000 was paid to Mr and Mrs W.

Mr and Mrs W complained that sum should be higher as they think units were incorrectly allocated. There was confusion over which terms and conditions should be used for Mr and Mrs W's policy, but once that was resolved our adjudicator said the policy had been run in accordance with the correct terms. Mr and Mrs W didn't agree and so it's been passed to me to decide.

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 trust Mr and Mrs W won't take it as a discourtesy that I've condensed their complaint in the way that I have. Ours is an informal dispute resolution service, and I've concentrated on what I consider to be the crux of the complaint. Although I've read and considered the whole file I'll keep my comments to what I think is relevant. If I don't comment on any specific point it's not because I've not considered it but because I don't think I need to comment on it in order to reach the right outcome.

This service is impartial between, and independent from, consumers and businesses. What this means is that we don't represent either party, and I don't act under either's instructions or take directions on how a complaint will be looked at or what questions should be asked or answered.

This service isn't a regulator and it's not our role to comment on the numbering of the various policy documents. Whilst the numbering caused confusion whilst this complaint was being looked at, I'm satisfied I'm looking at the correct document that was applicable to Mr and Mrs W's policy. That is the four-page document entitled "*Rules for Home Purchaser (Second Series) (Alliance & Leicester Version)*" with document code R270/06/91.

Mr and Mrs W say the bonuses should have been added as "type B units" rather than "type A units" pointing to section 5.1 of the document. This says:

'Any units allocated to the policy on payment of a premium due within the three year period commencing on the Date of Currency shall be known as "type A units" (...) All other units shall be known as "type B units".'

I can understand Mr and Mrs W's confusion here upon reading that in isolation. However it must be read as part of the whole document and section 2.4 says:

'The Fund shall participate in the profits of Scottish Amicable. Profits may be distributed by allocating additional units to the policy, to be known as "bonus units"...

If Mr and Mrs W were correct and the bonuses would all just be all added as "type B units" then this section wouldn't separately refer to them as "bonus units". It's clear from this that "bonus units" are something completely different from the standard "type A units" and "type B units" referred to in section 5.1.

In fact the policy had four different types of units "type A basic units", "type A bonus units", "type B basic units" and "type B bonus units". Whilst this isn't made specifically clear in the document Mr and Mrs W had, it also doesn't specifically say anything contrary to that. Scottish Amicable (as it was then) didn't offer a policy that acted as Mr and Mrs W thought this one did. So it's not a matter of Prudential using the wrong policy terms it's simply that the other policy terms - both the longer version issued for Scottish Amicable direct business at the time and the later amended Alliance & Leicester version including critical illness cover – went into that greater level of detail.

I appreciate that Prudential has given Mr and Mrs W conflicting information about the various documents which hasn't been helpful. And I understand Mr and Mrs W think the terms are different, and the bonuses should have all been allocated as "type B units". However, I've looked at everything as a whole picture, rather than one section of one document in isolation and I think Prudential has allocated the bonuses correctly. And whilst I agree that the information could have been presented more clearly in Mr and Mrs W's policy terms, I don't think Mr and Mrs W have been treated unfairly as the policy could never have run how they thought it did. I don't think Mr and Mrs W would have done anything differently if the full information about the four types of unit was set out in their policy terms, as I'm satisfied they would still have taken out the policy.

my final decision

I don't uphold this complaint. My final decision concludes this service's consideration of the complaint, which means we'll not be engaging in any further consideration or discussion of the merits of it.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr and Mrs W to accept or reject my decision before 5 August 2019.

Julia Chapman
ombudsman