

complaint

Mr A's complaint relates to the life cover that was sold alongside his personal pension plan with The Prudential Assurance Company Limited ("Prudential"). Mr A is unhappy that his life cover expired in May 2013, as he believed that it would run until the selected retirement date under his pension plan. Prudential has since confirmed that Mr A's life cover was only set up for a 20 year term.

Mr A had also raised concerns about the performance of his pension plan.

background

At the time of sale by the Prudential representative in 1993, Mr A was 22 years old and was employed in the family business. Mr A says that he understood that he was being sold life cover that would run alongside his pension plan, until his selected retirement date. After receiving notification from Prudential that his life cover would expire in May 2013, Mr A raised a complaint. As Prudential did not uphold his complaint, he referred it to this service.

The adjudicator who assessed Mr A's complaint concluded that it could not be upheld. Her reasons were, in summary:

- Whilst she understood that Mr A had believed that the term of his life cover matched his pension plan, there was no documentary evidence presented to support this.
- It was difficult to say now what was discussed with Mr A in 1993. However, documentary evidence completed at that time recorded that Mr A agreed to take out life cover which was stated to be for a 20 year term.
- She considered that Mr A's circumstances at the time of sale made a life cover term of 20 years not unreasonable. She noted that a higher monthly contribution would have been required to obtain a longer term.
- Regarding his concerns about the investment performance of his pension, the illustrations of future benefits provided by Prudential at the time of sale were never guaranteed. Projected figures were estimates, based on the assumptions of growth prescribed by the regulator at the time. Investments returns had been significantly lower than those that were assumed to be realistic at the time the plan was arranged.

Mr A disagreed with the adjudicator's assessment, and asked for his complaint to be referred to an ombudsman for a final decision. Mr A's mother wrote to the adjudicator, on behalf of Mr A, setting out the points they wished me to consider. In summary:

- They did not believe that all of the circumstances and omissions in the initial meeting with the adviser, and the paperwork, had been properly taken into account.
- The *term* of the life cover was not discussed with Mr A at the time of sale, and there is no record of it being discussed. They considered that the adviser should have discussed the discrepancy between the life cover term and the pension term, and recorded the reasons for this.
- Mr A was young and inexperienced at financial matters at the time, and was dealing with difficult family circumstances. The shorter term was likely to be in Prudential's interests, but was not in Mr A's best interests.
- Mr A: *"has done what many people do - not gone through the form in sufficient detail while the agent waited for him to sign"*. Therefore he was not aware that his life cover would not run in tandem with his pension plan.

- Mr A received a letter from Prudential around the time his life cover was due to expire, advising him that his pension plan was due to mature at the same time. Therefore, it appears that: *“Prudential’s systems link life cover term to (its) pension plan term”*, because it had mistakenly recorded the pension term as the same as for the life cover. The discrepancy between the terms: *“appears not to be a standard approach or the norm, and cannot be best practice”*.
- With regard to the fund performance, the illustrations provided by Prudential at the time of sale were excessive and misleading.

Prudential made no further submissions.

my findings

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

Mr A does not appear to be disputing the need for life cover at the time of advice, only that the term of the life cover should have run until his pension plan selected retirement date. Mr A says that the life cover assurance term was not discussed and that he had not been made aware of the term that had been arranged. He had therefore understood it to be for the same term as the pension plan.

Unfortunately, it is not possible for me to know with any certainty what the adviser told Mr A about his life cover. Whilst I have taken careful consideration of what Mr A has told this service, I must also consider the available documentary evidence from the time. The documentary evidence presented to me confirms that the life cover would last for a term of 20 years only. I am not satisfied that I could reasonably conclude that Mr A was definitely not made aware of the term, or that it was not in accordance with his wishes at the time.

Whilst it may have been the case that Mr A wanted his life cover to last until his selected retirement age, there are other reasons why that may not have been so. The monthly premium for a 20 year term (when the policyholder is in their early twenties at the start of the term) would have been significantly cheaper than if it was being taken out for the full term to Mr A’s selected retirement date. Affordability of the premiums may therefore have been a consideration for Mr A and/or his family.

Another factor is that at the time, Mr A was stated as having no dependants, although the life cover was recorded as being put in place for the benefit of his father because of the family business being dependent on Mr A’s labour. It could therefore have been the case that a 20 year term was suitable for Mr A’s needs at the time. This is because the intention of the policy was to insure the family business, for the benefit of his parents, who may not have been expected to be working in 20 years’ time.

That is not to say that I am making a finding that these *were* the reasons for the 20 year term settled on – there is no evidence documenting the reasons. However, given that there were potentially good reasons for setting up the life cover with a 20 year term, I cannot say that the advice provided was clearly unsuitable to Mr A’s needs, or clearly would not have accorded with his wishes.

Mr A and his mother, on his behalf, have referred to there being a *“discrepancy”* between the term of the life cover and the pension. I understand why they may feel that this is the case, given that Mr A says he believed the two were running in tandem, and given also that

Prudential had made an administrative error linking the two policies. However, although in many cases life cover is linked to the pension term, it is not the case that these two policies are *always* sold for the same term, as 'standard'. It is also common practice for consumers to buy a personal pension, and choose a different term for life cover eg 5, 10 or 20 years. I therefore do not agree that this was 'non-standard' or not the 'norm', as has been suggested.

Whilst it would have been preferable if the fact find completed at the time had specifically recorded the reasons why a 20 year term was chosen, I do not consider that the absence of an explanation means the advice was necessarily flawed. That is because, as I have explained above, selecting a 20 year term was not an unusual choice, particularly for someone in Mr A's circumstances.

I am sympathetic to Mr A's concerns about the investment returns on his pension plan, compared to the illustrations he received in 1993. At the time of the advice, the regulator set down the bases to be used by pension providers when illustrating the projected benefits under personal pension plans. I cannot therefore find that Prudential is at fault for the growth rates it used in its projections, or for its projections being based on the more generous annuity rates available at that time.

Over recent years, investment conditions have been difficult and the returns have not matched the returns illustrated at the time Mr A began his pension plan. Any projected figures provided by Prudential were not guaranteed.

I understand that Mr A will be disappointed with my findings. However, for the reasons outlined above, I am not persuaded, on the balance of the evidence available, that I could reasonably conclude that the term of the life cover recommended was not brought to Mr A's attention, or that it was not suitable to his circumstances at that time.

my final decision

I do not uphold this complaint, and therefore I make no award.

Venetia Trayhurn
ombudsman