

complaint

Mr S complains that his endowment policy recently matured with a value which is less than his mortgage amount. He thinks The Prudential Assurance Company Limited (“Prudential”) has shown gross incompetence in its investment management.

background

Mr S took out a low start low cost endowment policy in December 1990. It had a sum assured of £21,390, and a minimum death benefit of £62,000. The policy matured in December 2015 with a value of £47,604.45.

Mr S complained to Prudential expressing his disappointment at the amount the policy had produced. Prudential didn't uphold the complaint. It said the maturity value was dependent on the growth of the with-profits fund. It explained the maturity value was correct, and reflected the true value of the with-profits fund. Mr S then referred his complaint to this service.

An adjudicator investigated his complaint, but didn't uphold it. He said any maturity amount over £21,390 would depend on the allocation of bonuses. The with-profits fund was a pooled investment, which used an element of “smoothing”. This meant some of the returns in good years would be held back to allow bonuses to be paid in years with poor returns. The Financial Conduct Authority, as the regulator, was responsible for overseeing whether Prudential had operated the fund correctly.

Mr S didn't agree. He said he'd taken out the policy in connection with a mortgage for £62,500. As far as he was aware, the policy was set to return that amount. The only thing not guaranteed was any sum over £62,500.

He also remained unhappy with the way Prudential had managed the with-profits fund. He didn't accept the adjudicator's findings, or Prudential's explanation/excuses for its failures. Mr S said he couldn't understand how Prudential had acted fairly by missing the mortgage amount by 25%.

As the matter remains unresolved, it's been passed to me for consideration.

my findings

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

As an initial point, it's important to note that Mr S's original complaint was about the maturity value he'd received. He said he was aware it wouldn't achieve the full value of £62,500. But he was shocked and dismayed by the amount realised.

But in more recent correspondence with this service, Mr S says he was guaranteed that the policy would produce at least £62,500 at maturity. It seems this relates to the way the policy was sold to him. But this must be the subject of a separate complaint. If Mr S wishes to complain about the sale of the policy, he should do so to Prudential in the first instance. Mr S should be aware that Prudential may choose not to investigate the complaint if it thinks it has been made out of time.

In the circumstances, I will confine my findings to the way Prudential has administered the policy, including the performance of the with-profits fund.

While the policy had a guaranteed death benefit, and target maturity value of £62,000, the amount guaranteed at maturity was always £21,390. Bonuses would be added to this, to make up the full maturity value. But the level of bonuses was never guaranteed. They would depend on how the with-profits fund performed over the entire term.

Further, although Mr S says he was given a guarantee that the policy would produce at least £62,500, I've not seen evidence to support this.

I appreciate Mr S was disappointed that the maturity value was less than the target amount. But this is not, in itself, evidence Prudential has mis-managed the with-profits fund. Instead, I think it's likely this reflects the difficult investment conditions that have occurred over several years.

As the adjudicator has explained, Prudential is required to manage the with-profits fund in line with the Principles and Practices of Financial Management ("PPFM"). It's the regulator's role to ensure this happens. If Mr S has any concerns along these lines, he should refer them to the FCA.

my final decision

I do not uphold the complaint and make no award.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 26 May 2016.

Doug Mansell
ombudsman