

complaint

Mr and Mrs K complain that the policy they had with The Prudential Assurance Company Limited (“the business”) matured for substantially less than a very similar policy they had with another product provider. They query why that has happened.

background

Mr and Mrs K complained to the business and asked a number of questions. The business responded, saying it was not prepared to uphold the complaint. In summary the business said the policy value was correct, that the policy value was a result of a number of factors, some outside its control and there was no evidence that there was anything “wrong” in what it had done or that it should pay Mr and Mrs K any compensation.

Unhappy with that Mr and Mrs K brought their concerns here. One of our adjudicators looked at the issues and said that she thought the complaint should be rejected because it arose from matters relating to the business’ commercial judgement and direct comparisons between policies was impossible. She explained that in those circumstances this service could not uphold the complaint.

Dissatisfied with that Mr and Mrs K asked, as they are entitled to do, for an Ombudsman’s 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. Mr and Mrs K should not think I have made this decision lightly or that I do not understand how important it is to them. I agree that at “first sight” it seems very odd that the two policies concerned matured for such vastly differing amounts and why it seems there must be something wrong.

However having carefully considered the whole file I have come to the same conclusions as the adjudicator before me and for broadly the same reasons. The two policies being compared here are with profit endowments. Such investment products have been described as some of the most complex investments ever available. Their lack of transparency and the difficulties in understanding how they work has been the subject of much public comment and debate over many years.

The value of such policies depends on a significant number of things. As Mr and Mrs K know now if they didn’t before, some of these factors are, to some extent, within the control of the business, such as its own costs and some are not, such as investment returns.

I am aware that both policies were taken out at the same time with the same target values and the same premiums. However the highly complex nature of the policies and how they are operated meant that one matured for double the amount of the other. The different business concerned also have different costs and expenses.

It is not surprising that the costs, investment and other strategies of the two product providers differed. This perhaps demonstrates the benefits of diversifying investments, one poor performance can be set off by the good performance of another.

Investment returns are achieved as a result of a number of factors including professional judgement and the results of the exercise of that judgement. Sometimes the managers and other involved will “get it right” in the sense that their predictions result in profitable (or less unprofitable) results than other investors. Sometimes the predictions will be “wrong” in that they translate into poorer returns than others.

Neither however is likely to be “wrong” in the sense of being something I could uphold a complaint about. In any comparison between policies or investments one will be better than another in terms of performance. That is inevitable. However simply because one investment manager is lower down a table “ranking” such managers or investments than another-or even at the bottom of the table-does not of itself mean that mismanagement or other clear errors have taken place. It is also true to say there are no two “identical” policies.

In fact the inherent difficulties in such matters are recognised to some extent in the rules which set out what I can and cannot consider. Under those rules which I do not think I need to repeat in detail-I can dismiss a complaint such as this without considering it *at all* if it is about investment performance or about the exercise of the business’ commercial judgement.

The management of the business and the way the funds are managed are however subject to a number of “checks and balances”. Some of the professionals involved such as actuaries have their own professional bodies and standards. The regulator, the law, shareholders and other stakeholders also all have a role in monitoring the way in which the business and its funds are operated.

As I say however I have seen nothing to persuade me a specific error or set of errors have been made or there is something here I could uphold. To put it another way I have seen nothing to persuade me that one business has broken the law, regulations or some other standard. I have also not seen anything to persuade me the business would or should have been aware that their actions were, at the time they were made, clearly wrong.

For completeness I would just add that at the time this policy was sold it was not unusual, and not wrong, for a business to insist it would only lend if an endowment policy was taken out.

my final decision

My final decision is that while I can understand Mr and Mrs K’s frustration I cannot uphold this complaint.

Mike Boyall
ombudsman