

complaint

Mr and Mrs N's complaint about The Prudential Assurance Company Limited concerns the administration of their reviewable whole-of-life insurance policy. In particular they are concerned about the amount of life cover charges deducted from their policy in the latter years and that Prudential says it is unable to accurately predict these charges going forward.

background

I have previously issued my provisional decision explaining why I considered Mr and Mrs N's complaint should be upheld in part. I noted their concerns about the advice they received to take the policy, but said this was something I could not consider as Prudential did not sell it. I explained why I was satisfied Prudential had acted appropriately and within the policy conditions. And with regard to the amount charged for cover, I set out how this was calculated and that this decision was ultimately down to Prudential's commercial judgement.

This notwithstanding, I noted Mr and Mrs N's policy had been cancelled when they declined to pay any further premium pending the outcome of their complaint. I did not believe they should be penalised for pursuing a complaint and stated my intention to direct Prudential to allow them to restart their cover.

I invited both parties to let me have any further comments they wished to make. Prudential contacted us to say it has nothing further to add. Mr and Mrs N have not objected to my provisional decision, but have sought further clarification about the cost of reinstating their policy. They have also expressed their continued concern that Prudential has not been able to predict the annual premium going forward.

my findings

I have considered all the available evidence and arguments to decide what is fair and reasonable in the circumstances of this complaint. Having reconsidered the case, including Mr and Mrs N's response to my provisional decision, my conclusions remain as set out in my provisional decision for essentially the same reasons.

It remains my view that Mr and Mrs N should be able to restart their policy within a reasonable period (three months) of my final decision. To restart the policy, Mr and Mrs N would need to pay (in full) the outstanding amount of the premiums due when the policy lapsed (that is the total premium due for that year less the remaining fund value that was used to pay part of that premium until the policy lapsed) and any further premiums that would have become due since then. Prudential will be able to confirm the exact amount needed, but I believe Mr and Mrs N's calculation of the remaining amount due for the year in which the policy lapsed is broadly correct.

Going forward, Mr and Mrs N need to understand they will have to keep paying annual premiums in full to maintain their cover. If they do not pay a premium, it is likely the policy will lapse very quickly as the accrued units have already been eroded. It is also likely the premium will increase each year as the cost of life cover increases with their age. I do understand Mr and Mrs N's concern about what might happen to the premium in future years. But this will be determined by a number of factors that cannot be known in advance and Prudential cannot therefore reasonably be expected to predict that accurately at this time.

If Mr and Mrs N accept my final decision, Prudential will then be able to provide figures confirming the amount of premiums they need to pay up front and when the next annual premium will become due. They can then decide whether they wish to proceed with the reinstatement. It may also be possible for Mr and Mrs N to restart their policy with a reduced amount of cover (and therefore a lower premium) and Prudential will be able to provide them with the relevant details if this option applies and is something they wish to consider.

my final decision

My final decision is that I uphold this complaint in part. I direct The Prudential Assurance Company Limited to allow Mr and Mrs N to reinstate their cover within three months of the date my final decision is issued - on the terms I have described above.

Jim Biles
ombudsman