

## **complaint**

Ms G has complained about The Prudential Assurance Company Limited because it cancelled her regular premium savings policy against her wishes and without telling her.

## **background**

Ms G's policy was originally due to mature in September 2010. But instead of taking the policy value at that time, she opted to extend the policy term.

Prudential says it received Ms G's request to extend the policy and made the necessary arrangements. But when it tried to collect further premiums, these were rejected by Ms G's bank because it said the direct debit had been cancelled.

Prudential says it wrote to Ms G and her adviser on more than one occasion to explain premiums were not being collected and that the policy would be closed in October 2011 if no further payment was made. When it did not receive a reply by this date, the policy was closed.

Ms G found out what had happened to her policy when she contacted Prudential in 2012, after which it paid out the accrued value of the closed policy.

Before the complaint was referred to us, Prudential accepted it should have handled certain aspects of Ms G's situation differently. In particular, it said it should have written to her again in October 2011 when the policy was closed. In recognition of its failings and any trouble and upset caused, it sent Ms G a compensation payment of £100.

Our adjudicator agreed with Prudential that the complaint should be upheld in part. In addition to the compensation it had already offered, he felt Prudential should also pay interest on the final policy value. This was on the basis that he believed Ms G would have taken the proceeds sooner if she had been told the policy had been closed and that she should therefore be compensated for not having access to her money.

Prudential agreed to pay interest, but at a rate lower than that proposed by the adjudicator. Ms G did not accept Prudential's offer, saying it was not sufficient. She also says that neither she nor her adviser received any of the letters Prudential says were sent about the missed premiums and the implications of not bringing payments up to date.

## **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 done so, I agree with the adjudicator's conclusions for much the same reasons.

The policy could not continue indefinitely if premiums were not paid and the copy letters Prudential has provided indicate it made reasonable efforts to make Ms G aware of the situation and what would happen if payments were not brought up to date. I appreciate Ms G says she did not receive these letters, but they appear to have been correctly addressed and I have no reason to believe they were not sent. I am also conscious the monthly premium was fairly large and that it should have been apparent to Ms G that it was not being paid from her bank statements.

On balance, I am satisfied Prudential acted appropriately up to the point the policy was closed. But at that point, I think it should have contacted Ms G again to inform her the policy was closed so she could collect the proceeds. And Prudential clearly accepts this point.

If she had been told what had happened to the policy, Ms G says she would have taken the proceeds straight away and I have no reason to doubt that. The money available to her would not gain in value while it remained with Prudential and it was not in her interests to do anything else.

As a result of this, I believe Prudential's failure to contact Ms G in October 2011 resulted in her being deprived of the use of the policy proceeds. In situations where a policyholder has been deprived of the use of their money because a business has acted inappropriately, our normal approach is to award simple interest at the rate of 8% per year. This is not intended to be an interest rate in the way a bank deposit account pays interest. Rather it is a rate considered to be a fair yardstick for compensating consumers for a wide range of possible losses and lost opportunities they may have incurred. It is also a rate often used by the courts in similar situations.

I note Prudential's belief that this rate is only used where a consumer has been deprived of money as a result of unsuitable advice. But that is simply not the case and I believe this should be apparent from our guidance and past decisions we have issued. I note the reasons Prudential believes a lower rate of interest is appropriate in this particular case, but I can see no reason to depart from our usual approach.

In addition to any interest due on the policy proceeds, I also believe the circumstances described would have caused Ms G some trouble and upset and I am pleased to see Prudential has already offered compensation for this. The amount of any award for trouble and upset is particularly difficult to assess, but I am satisfied a moderate award is appropriate in this case and that the amount of £100 already offered is fair and reasonable.

### **my final decision**

My final decision is that I uphold this complaint in part.

I direct The Prudential Assurance Company Limited to pay Ms G compensation calculated as interest (at the rate of 8% per year simple) on the full amount of the policy proceeds from the date the policy was closed in 2011 to the date the proceeds were paid to Ms G. Income tax may be payable on the interest.

In addition, I direct The Prudential Assurance Company Limited to pay Ms G additional compensation of £100. I understand she did not cash the cheque sent previously, but I would not expect Prudential to pay this amount again if alternative arrangements have since been made for the payment to be received.

Jim Biles  
**ombudsman**