

complaint

Mr A's and Mrs B's complaint relates to the fact that in March 2012, The Prudential Assurance Company Limited informed Mrs B's financial adviser (who is also representing her in this complaint) that her life policy would be 'reviewed' in April 2013 and that no further premiums were due before that point. However, Mrs B was then asked to pay an additional premium within this period in order to maintain the life cover.

background

An adjudicator considered the complaint but did not consider it should be upheld. He explained that Prudential had reviewed the policy in February 2012 and notified Mrs B that she would need to either make a lump sum contribution or reduce the sum assured on her policy.

Therefore, when Prudential wrote in response to the financial adviser's letter dated 14 March 2012 and confirmed in its letter dated 27 March 2012 that the next review was in April 2013, this was not misleading as the next planned policy review was due in April 2013.

However as Mrs B (or her financial adviser) had not responded to Prudential's review letter in February 2012, the value of the fund had been depleted; therefore the adjudicator was of the opinion that Prudential was entitled to carry out an interim review to ensure the fund value was sufficient to maintain the plan.

Mrs B's representative did not agree with the assessment. It stated that it was not aware of the review that had been carried out in February 2012 and believed that as a result of Prudential's letter dated 27 March 2012, it was felt that no further action was necessary until the next plan review in April 2013.

It was only when the interim review was carried out later in 2012 that it became aware of the review that had been carried out in February 2012.

The representative was of the opinion that Prudential should have written to the trustees and to him to make him aware of the review that had been carried out in February 2012 and that a response to this review was due.

Prudential has confirmed the following:

- Reviews are automatically generated and a letter is issued to the contributor and a copy is sent to the servicing agent noted on its records.
- It does not send out 'chasing letters'. But it does have a process whereby when the value of the fund falls below £500, it contacts the contributor and gives them an opportunity to save the plan. This was carried out in October 2012.
- A letter was issued to Mrs B's financial adviser on 2 November 2012 confirming that it had contacted Mrs B on 11 October 2012, as she had not taken any action in response to the February 2012 review and that the fund value had fallen to zero.
- An alteration quotation to save the plan was sent to the financial adviser noted in its records on 31 October 2012.
- The plan has now been cancelled and it cannot be reinstated.

my findings

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

A review letter was sent to Mrs B and her agent (financial adviser) in February 2012. This stated that a further significant premium was required to maintain the sum assured until the April 2013 review date, or alternatively the sum assured could be reduced.

It does appear that there may have been an unfortunate misunderstanding at this time. Because Prudential had just issued a review letter (the February 2012 letter) when it wrote to Mrs B's financial adviser in March 2012 answering his query about the next review date, it said that the next planned review date was April 2013. That was technically correct as that was when the next review was planned – but as I will discuss, events overtook that. Prudential also said that no further premiums were payable; that was because this was not a regular premium policy.

It is submitted that Mrs B may have seen the February 2012 letter but left it to Mr A to handle – which then did not happen. It is also mentioned that Mrs B's financial adviser did not receive it.

It is quite possible the financial adviser did not receive it because it seems he changed employer sometime around February/March 2012; so the review letter may well have been sent to his 'old' employer. That does not mean his previous employer could ignore the letter if Mrs B was still its client at the time of issue – but Mrs B would need to explore that with that business if she wishes. Be that as it may, Prudential sent the letter to the correct business (financial adviser) it had at the time; it was not informed of the new employer and financial adviser details until at least March 2012 – after the February letter had been issued.

In my view the Prudential acted reasonably in sending the February letter to the policyholder and Mrs B's financial adviser. It is not reasonable to hold it liable if that letter did not find its way to Mrs B's individual IFA. If that February review letter had been noted then it would have been apparent what the situation was and action could have been taken.

It is worth noting that Prudential also issued a review letter in 2010 which warned that it was estimated the plan would only be able to maintain the cover for a further two years. So it should not have come as a total surprise when then occurred in 2012.

So, taking into account all the evidence I do not believe it would be fair and reasonable to hold Prudential liable for the misunderstanding that occurred following its March 2012 information.

Even if that were not so, I then believe events then overtook that matter.

A quotation was sent to Mrs B's financial adviser on 31 October 2012 as to what was required to 'save' the plan. This was seemingly at the financial adviser's request. So at that point there was the option to maintain the plan, which was apparently not taken.

I note that on 6 December 2012 Prudential wrote again responding to an enquiry as to whether an additional single premium could be paid to help maintain the plan. Prudential agreed not to cancel the policy for a period of 4 weeks subject to receiving the additional premium. It is my understanding that no further premium was paid and therefore the plan was cancelled.

Mrs B's representatives were aware at least by October 2012 that the plan could not continue without a significant extra premiums being paid and it is clear that was understood as her representatives were exploring that at the time. However, no further contributions were paid. I cannot therefore reasonably hold Prudential liable for its cancellation. Even if I held Prudential liable in some way for confusing information (which I do not) it was clear by October 2012 that the plan could not continue as it was until April 2013 (if that was what was understood prior to October 2012).

The normal review date would have been April 2013 but that depended on the policy having some value until that date, which it did not. I do not believe there has been a failure by the Prudential to review the plan in April 2013 as by that point events had overtaken that review, with the plan value falling to zero and it lapsing.

I can only say that there was reasonable opportunity to maintain the plan if that was what was required at the end of 2012 but that was not taken. That was entirely at Mrs B's and her representative's discretion but I cannot hold Prudential liable for that decision. I cannot therefore order that they reinstate the plan.

I appreciate that Prudential were requesting a significant sum of money to support the plan and that may have had an effect on the decision as to whether to maintain it but that was always possible with this type of plan. The possibility of significant increases at older ages was a risk.

my final decision

I do not believe Prudential is responsible for the plans cancellation or that it is materially responsible for the fact that a misunderstanding occurred in early 2012. I therefore do not uphold the complaint or make any award.

David Bird
ombudsman