

## **complaint**

Mr and Mrs H have complained that they believed the whole of each monthly premium they paid to a 20-year endowment savings policy recommended by The Prudential Assurance Company Limited ("Prudential") in 1992 was dedicated to savings.

However, when they received the policy's maturity value in 2012, they discovered that part of each premium was devoted to providing life cover of £10,000 under a subsidiary term assurance policy, which expired with no value when the policy matured. This adversely affected the maturity value they expected to receive.

Mr and Mrs H did not ask for life cover to be included in the policy; they agreed to take out the endowment policy exclusively for savings and have requested the sum assured under the term assurance policy to be added to the final value at maturity.

## **background**

Mr and Mrs H's complaint was investigated by one of our adjudicators, who concluded that it should not be upheld.

Although the policy schedule could no longer be provided by Prudential (because the policy has matured), there was sufficient evidence recorded of Mr and Mrs H's personal and financial circumstances in 1992 to show that they had a genuine need for life cover within the policy.

Also, Mr and Mrs H had signed the policy application which requested that £33.50 of the monthly premium of £40.00 they were willing to pay should be invested in the endowment savings part of the policy and £6.50 to a term assurance element which provided life cover of £10,000.

Therefore, the adjudicator was satisfied that the policy fulfilled their two financial needs for savings and life cover and that it was evident from the documentation what benefits were provided by the policy and how much each benefit cost.

In response, Mr and Mrs H disagreed with the adjudicator's assessment and said that they were not made aware at the point of sale in 1992 that they had taken out additional life assurance within this policy. They also questioned why the business is no longer able to produce a copy of the plan schedule and pointed out that annual bonus statements they received only referred to the savings part of the policy.

As no agreement has been reached in this complaint, it has been referred to me for review.

## **findings**

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

The documentation completed at the point of sale in 1992 includes a personal financial review ("factfind") completed by the adviser which records Mr and Mrs H's financial circumstances and objectives at the time. This was signed by Mr and Mrs H and confirmed, among other things, that they had three dependent children and no life assurance provision in place at that time.

Accordingly, two of their objectives were recorded by the adviser as: *“life assurance protection for lifestyle of dependents”* and *“savings for tax free lump sum”*, and the decision made by Mr and Mrs H is that they would invest £40.00 per month in a policy comprising a Table 19A policy (endowment savings) and a Table 3J policy (term assurance) over 20 years.

The policy application completed and signed by Mr and Mrs H requested a sum assured of £10,000 under the Table 3J policy for a monthly premium of £6.50 and the remaining sum assured was provided by the Table 19A policy for a monthly premium of £33.50.

As such, the majority of the monthly premium was devoted to savings, which funded a guaranteed sum assured of £6,509, payable at maturity (or earlier, if Mr H or Mrs H died), to which annual bonuses would be added to form part of the maturity value payable at the end of the term or on earlier death.

The remaining £6.50 of the total premium provided life cover of £10,000, payable only if Mr H or Mrs H died with the 20-year term of the policy. Otherwise, this element of the policy expired at maturity with no value. This documentation is, therefore, at odds with Mr and Mrs H's submission that they believed the whole of the monthly premium of £40.00 was dedicated to endowment savings.

I have, therefore, considered whether the policy Mr and Mrs H actually did take out was suitable for their financial objectives at the point of sale and, if so, whether they could reasonably have known how each part of the policy operated.

As mentioned above, the 'factfind' highlighted a number of financial objectives, including the need for savings and to protect the lifestyle of their dependents. In my view, therefore, there was a clear need for the additional life assurance provided by the term assurance element of the policy which would pay a capital sum of £10,000 if either one of them died within the 20 year term.

Even though the copy of the plan schedule is currently not available, in my view, the application form Mr and Mrs H completed and signed was sufficiently clear that they had applied for two benefits – an endowment policy to which they paid £33.50 per month and a term assurance policy offering life cover of £10,000 over 20 years, *“payable to the survivor only on the death of the other life within the term”* for £6.50 per month, or total premiums of £1,560.00.

Mr and Mrs H have pointed out that the annual bonus statements they received for the policy only refers to the endowment savings sum assured of £6,509 and does not mention the term assurance sum assured.

However, annual bonuses only attach to the endowment sum assured which would form part of the eventual maturity value. The life cover provided by the term assurance policy is a non-profit benefit of £10,000 which does not attract bonuses. Accordingly, it will not feature on any annual bonus statement Mr and Mrs H would have received as there was no requirement for the business to report on the performance of this part of the policy.

Also, it would not be appropriate in any event to add the sum assured of £10,000 under the term assurance policy to the maturity value because this is the life cover payable only on death within the term, and not the actual value of the policy.

Overall, I am satisfied that the policy Mr and Mrs H were recommended was entirely appropriate for their financial needs and it was sufficiently clear that the term assurance element of the policy did not form part of the eventually maturity value if Mr and Mrs H survived the policy term.

**decision**

My final decision is that I do not uphold Mr and Mrs H's complaint.

Kim Davenport  
**ombudsman**