

complaint

Mr A complains that his with-profits plan with The Prudential Assurance Company Limited ("Prudential") unexplainably decreased in value just before it was due to mature.

background

Mr A held a with-profits mortgage endowment plan with Prudential that matured in April 2019. He says he had been regularly checking the value of his policy through Prudential's online platform and was shocked to discover that its maturity value had decreased by around £1,270 it was very close to maturity.

Mr A complained to Prudential as he wanted an explanation as to why the maturity value had decreased and where this money had gone. He was also unhappy that Prudential did not respond to his requests for clarification.

Prudential explained that 2018 had been a difficult year for the financial markets, with growth slowing through the year and many markets seeing negative returns. They said this caused the fund to make a net loss of 2.2% in 2018, which led to a reduction in the terminal bonus and was why his investment decreased in value before maturity.

Prudential said that they historically update the value of the fund at the same time each year, which can lead to growth or a reduction in the value of the plan, so they did not uphold this element of Mr A's complaint. However, they did acknowledge that the service they had provided had been poor, so they offered £100 compensation in recognition of the distress and inconvenience this had caused.

Mr A remained unsatisfied with this explanation and referred his complaint to this service. Our investigator didn't uphold the complaint. She considered Prudential's explanation to be sufficient and explained that the terminal bonus was never guaranteed, so she didn't think the fall in value of Mr A's fund was something Prudential ought to be held liable for. Mr A disagreed, so the complaint has been passed to me to determine.

my findings

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint. Having done so, I've decided not to uphold it.

Mr A says that Prudential have not offered a satisfactory explanation for the fall in value of his investment. They've said that growth in major markets slowed in 2018, which was one of the main factors for the reduction in the terminal bonus. However, he wants to know what the other factors were that caused the value to fall, as well as where or who his £1270 has gone to.

I think it's important to point out that this isn't money that has been taken away from Mr A's plan or redistributed. This is because it was a *prospective* value which Prudential would've anticipated they could achieve with the terminal bonus (in other words, it was an estimate). It was never money that was in his plan all along that has been clawed back at the last moment; it is just that the anticipated value wasn't achieved. So I don't consider it to be the case that £1,270 has gone missing and that Prudential ought to explain where it has gone.

A share of Mr A's plan's final value would have been accounted for by the terminal bonus. But whereas annual bonuses are guaranteed the terminal bonus was not. So Prudential are not obligated to pay this and I can see that they've made this clear to Mr A. In terms of the factors that caused the bonus to fall. Prudential have explained that the volatility of the financial markets in 2018 led to the with-profits fund making a net loss of 2.2% in 2018 (which is information that can be found on their website). I appreciate they may not have gone into a great amount of detail about all the other various factors that can affect a bonus. But this can depend on a number of things, such as the cost of the insurance business, as well the need to 'smooth' bonuses from year to year (where some of the profits are held back during good years to boost the profits during the bad years to avoid any drastic fluctuations).

The reality is that bonuses are typically arrived at using a variety of factors and formulae that are calculated by an actuary. And the actuaries will decide how much of the fund's profits are paid as a bonus and how much will be kept in reserve to help with 'smoothing' as explained above. But I wouldn't have expected prudential to have disclosed complex or detailed breakdowns of their actuarial calculations to Mr A. So I think it was reasonable enough for them to explain that adverse investment conditions had been the predominant reason for the fall in value.

Prudential have also offered an explanation for the reason why the value of Mr A's fund dropped so close to its maturity after a period of steady growth. They've explained that there was an interim bonus that was implemented on 25 November 2018 for quotes effective from 1 January 2019 – so they've said that all the values Mr A listed in his complaint on 28 May 2019 would've taken this into account.

However, in terms of the terminal bonus, the rate changes were implemented on 24 February 2019 and became effective from 1 April 2019. Prudential have explained that this impacted the projected maturity and surrender value quotes for plans with a maturity date on or after 1 April 2019. The implementation of the bonus from 1 April 2019 had the effect of reducing the maturity and surrender value available from that date.

Given that Mr A's plan matured a few days after 1 April 2019 – and taking into account the adverse market conditions and the fund's 2.2% net loss in 2018 – I consider that Prudential have provided a satisfactory explanation for the decrease in value seen in Mr A's final maturity value. And Mr A hasn't provided any evidence to contradict Prudential's explanation or to demonstrate that this was not the case. So in the circumstances, I will not be asking them to do anything further.

In terms of the poor service he received, I can see that Mr A was unable to speak to Prudential when he called them on 5 April 2019, and that they had failed to respond to his emails. However, I can see that they've apologised for this and have paid £100 compensation to recognise the distress and inconvenience this may have caused, which I consider to be fair compensation in the circumstances.

Finally, Mr A has also said that he thinks his policy was mis-sold. But given that it was not sold by Prudential, I'm afraid this is not something I can consider as part of this complaint.

my final decision

For the reasons given above, I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr A to accept or reject my decision before 18 November 2019.

Jack Ferris
ombudsman