

complaint

Mrs A's complaint about The Prudential Assurance Company Limited concerns the mortgage payment benefit attached to her mortgage protection policy. Mrs A has recently been claiming under the mortgage payment benefit but Prudential stopped paying out when she reached a set age and before the protection policy expired. She says she believed Prudential would continue to pay benefits throughout the policy term.

background

Mrs A originally took the protection policy to cover her mortgage in 2001. As well as providing life cover, it included a mortgage payment benefit designed to pay her a regular sum to assist with her mortgage payments if she became unable to work due to ill-health.

In administering the mortgage payment benefit, Prudential says it did not stop payment when it should have done and made overpayments to Mrs A. Although it requested the overpayments were repaid, Prudential did apologise to Mrs A for the error and offered her £100 in recognition of the poor service it provided.

Our adjudicator did not recommend the complaint be upheld in respect of the main issue about stopping payment of the mortgage payment benefit, believing Prudential had acted in line with the policy terms and conditions. But he did say that Prudential should not pursue Mrs A for the overpayments and recommended the compensation be increased to £200.

Mrs A disagreed, saying she believed the policy would provide cover for the whole of its term and that any policy not covering her for the whole term of her mortgage would have been pointless.

Prudential agreed to stop its attempts to recover the overpayments, but believed its original offer of compensation was sufficient.

my findings

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

The main benefit of the policy was life cover and this element will pay out on death at any point during the term. The mortgage payment benefit was an additional benefit and the policy illustration stated premiums for this benefit cease at a set age. The policy conditions go on to explain that any benefit in payment will cease on the policy anniversary prior to the policyholder's relevant birthday. After reviewing the information, I am satisfied Prudential has acted in line with the policy conditions in stopping payment of the benefit when it did.

I appreciate why Mrs A may have assumed the benefit would be paid for the full term of the policy, but I have seen nothing to suggest Prudential was responsible for any misunderstanding on this point. And even if it was, I believe it would be difficult (without the benefit of hindsight) to conclude Mrs A would not have taken the policy at all if she had been aware the mortgage payment benefit would only pay out until a certain age. I do understand why she would question the merits of the policy now payments have stopped, but it has provided a benefit for her in recent years. And while that benefit will not continue going forward, she will no longer be paying an additional premium for it.

The above notwithstanding, Prudential did make an error in not stopping payment of Mrs A's benefit at the correct time. In my view, she was not aware the payment should have stopped and that she should not have received the money she was paid. And given that she is out of work due to ill-health, I consider it is likely it was spent straight away as part of her day to day expenditure and that it would now be very difficult for her to repay it. In the circumstances, I do not believe Prudential should be seeking to recover the overpayment and I am pleased to see it now agrees.

Prudential has already accepted that its service was not up to the standard Mrs A was entitled to expect. And it is my view that being asked to repay money she had probably already spent would have caused her a degree of distress and inconvenience, particularly in a situation where she was already suffering ill-health that prevented her from working. I am pleased to see that Prudential did offer compensation in this respect, but I do not believe the amount was sufficient. While the matter of compensation for distress and inconvenience is by its nature difficult to assess, I believe a figure of £200 would be more appropriate.

my final decision

My final decision is that I uphold this complaint in part. While I believe it was entitled to stop making payment under the mortgage protection benefit, I direct The Prudential Assurance Company Limited to cease any attempts to recover the overpayments made after the date payment should have ceased and also to pay Mrs A an additional £200 in compensation.

Jim Biles
ombudsman