

## **complaint**

Mr and Mrs M complain they were mis-sold an endowment policy to repay a mortgage by The Prudential Assurance Company Limited (previously Scottish Amicable). They complain the policy was unsuitable as they didn't want to accept any risk and were led to believe they would get an additional lump sum over and above the target sum at maturity. They also complain they were sold additional benefits they didn't know about at the time (PPI).

## **background**

In 1998 Mr and Mrs M were engaged and buying their first home together. They were both employed and didn't have any dependants. They needed a mortgage of just over £53,000 to buy the property they wanted.

They were recommended an interest only mortgage supported by an endowment policy with Scottish Amicable. The policy was set up with a 25-year term to match the mortgage term and was invested 100% into the With Profits fund. They were also recommended critical illness cover and waiver of premium benefit (not PPI) which they agreed to.

The last premium was paid into the policy in April 2002 and the policy surrendered in February 2003. Prior to that Mr and Mrs M were sent projection letters informing them their policy was on track to achieve the target sum at maturity.

In 2018 Mr and Mrs M complained about the sale of the policy and the mortgage. Prudential explained it wasn't responsible for the sale of the mortgage and didn't uphold the complaint about the endowment policy; it was satisfied the recommendation made was suitable. Our investigator also concluded the sale of the policy was suitable for them; she was satisfied it was commensurate with their recorded attitude to risk. Mr and Mrs M have asked for the matter to be reviewed. They don't believe the endowment was suitable and are unhappy about the addition of PPI.

In advance of me issuing this final decision, I explained to Mr and Mrs M that they hadn't been sold PPI with their endowment, they had been sold:

- Critical illness – which pays out a lump sum on diagnosis of a specified critical illness; and
- Waiver of premium benefit – which pays the endowment premium if off work with illness for a specified period of time.

Mr and Mrs M have replied to say they are complaining about the whole sale, they had existing policies in place and so they shouldn't have been sold the extra benefits. They believe the whole sale to have been a farce.

## **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 have come to the same overall conclusions as the investigator and for broadly the same reasons.

Mr and Mrs M have complained they were led to believe the policy would reach the target amount and pay an additional lump sum. Mr and Mrs M's policy was invested 100% into the With Profits fund. This was a pooled investment, investing into equities, bonds, cash and

other areas. With Profits funds are accepted within the industry as being a low risk investment area.

The performance of the fund was dependant on the performance of the underlying investments. I'm not aware there was any guarantee within the policy itself that it would reach the target sum on maturity. I accept the policy might have been sold in a positive light, with the prospect of a lump sum in addition, but that is far from providing a guarantee. I'm also mindful of the sales documentation that Mr and Mrs M signed - the reason why letter – which explained the possibility of a shortfall if the policy didn't achieve 7% growth. Overall, I don't uphold their complaint they were led to believe the policy was guaranteed. And as the policy wasn't guaranteed to reach the target amount, it follows I don't find it was guaranteed to achieve a lump sum in addition either.

I have gone on to consider whether the recommendation was suitable. Having considered this carefully, I find it was because:

- Although Mr and Mrs M don't appear to have had any investment experience this doesn't preclude them from having a mortgage endowment policy if they were willing to accept the risk.
- The fact-find records Mr and Mrs M's attitude to risk as 'cautious'. The With Profits fund is accepted to be a low risk investment and is commensurate with a cautious attitude to risk. I have considered the arguments that there wasn't a 'no risk' option and so this might not be truly reflective of their attitude to risk. But I have taken into account that the reason why letter did warn Mr and Mrs M of the possibility of a shortfall and they accepted the recommendation despite that information (they signed the reason why letter on 4 September 1998).
- I'm also satisfied Mr and Mrs M were in a position to take a low level of risk. They were engaged, with no dependants. Both were in employment and had disposable income after taking the new mortgage into account, with which to build up savings to protect against any possible shortfall. I have seen nothing to suggest, and they haven't sought to argue, the premium wasn't affordable for them.
- The policy included life cover, critical illness cover and endowment premium protection. This meant the mortgage was protected should Mr or Mrs M be diagnosed with a specified critical illness (or die) and the endowment was protected if they couldn't pay premiums due to being sick. Given the severe consequences of not being able to maintain mortgage repayments, and the likely drop in income should one of them die, or be diagnosed with a critical illness, I don't find the recommendation unsuitable. Mr and Mrs M say they had existing cover in place at the time. But the fact find specifically records they didn't have any other life or critical illness cover at the time – a document whose legal declaration they signed to say the information was correct.
- The adviser did a comparison with a repayment mortgage. So Mr and Mrs M knew there were other options available for repaying their mortgage, that didn't rely on an investment.
- The endowment policy was portable to other mortgages. As first-time buyers it would be reasonable to assume there would be further moves in the future.

Overall, I find the recommendation was suitable for Mr and Mrs M's needs and circumstances at the time. It follows that I don't uphold this complaint or make an award against Prudential.

**my final decision**

For the reasons given above, I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr and Mrs M to accept or reject my decision before 6 February 2020.

Claire Hopkins  
**ombudsman**