complaint

Mr and Mrs G complain about the mortgage endowment policy they held with The Prudential Assurance Company Limited that matured in December 2014. They say that:

- they were mis-sold the policy as, amongst other things, they were told it was guaranteed to pay out the target amount;
- the cost of the policy was not set out in any documents they were provided and was excessive; and
- the maturity value of the policy was too low when compared against how the market has performed over the last 22 years.

The policy was sold by Scottish Amicable but was then taken over by Prudential. In this decision I will refer to the policy provider as Prudential.

background

Mr and Mrs G took out an interest only mortgage in 1989. At the same time they bought an endowment policy provided by a third party (policy A). The policy was for 25 years, which matched the length of their mortgage.

In December 1992 they obtained a further interest only mortgage on their property and took out a second endowment policy with Prudential (policy B). Policy B had a target value of £14,000 and was provided over a term of 22 years. Policy B was taken out with the intention of repaying the further mortgage in full at the end of its term. The policy was a unitised with-profits policy. Policy B didn't have a sum assured but had a minimum death benefit of £20,000.

Mr and Mrs G bought both their endowment policies through a broker. The broker's firm is no longer trading.

Policy B matured in December 2014 for around £8,000. This amount is less than the total of all the premiums Mr and Mrs G paid over the 22 year life of the policy, which is around £8,600. Mr and Mrs G have compared this to policy B, which cost them less (total premiums were around £8,400) and paid out more (the policy matured for around £14,300).

Mr and Mrs G complained to Prudential but it didn't uphold their complaint. Prudential told them that the policy performance was correct and in line with the fund selected. So Mr and Mrs G brought their complaint to us.

Our adjudicator didn't uphold the complaint. He didn't think Prudential were responsible for how the policy was sold because it was sold by a financial advisor at a different company. So he didn't uphold this part of the complaint. He thought the rest of Mr and Mrs G's complaint was about the performance of the policy and he didn't think that poor performance of the policy was enough of a reason to uphold the complaint.

Mr and Mrs G disagreed with our adjudicator and so the complaint has been passed to me.

my findings

I have considered all the available evidence and arguments to decide what is fair and reasonable in the circumstances of this complaint. Having considered all of the information available, I have decided not to uphold the complaint for similar reasons to our adjudicator.

My reasons are as followings:

policy being mis-sold

Mr and Mrs G have given clear reasons why they think policy B was mis-sold. However, their complaint about how the policy was sold needs to be brought against the broker that sold the policy to them.

Mr and Mrs G say that the broker was appointed by, and acting on behalf of, Prudential. But I don't think that is right. Mr and Mrs G have said that the same broker also sold them policy A with a third party provider. I think this indicates the broker was not just selling Prudential policies. But even if it was, the broker worked for a separate business to Prudential. Prudential is not responsible for the broker's sales practices. So I am not persuaded to uphold Mr and Mrs G's complaint about the way the policy was sold.

cost of the policy

Mr and Mrs G say that the policy was overly expensive. They comment that their premiums only purchased a total of around £4,000 of Prudential 'basic' units, which is less than half of the amount they paid in premiums. They think that a large amount of their premiums have been absorbed by costs.

They also say that the costs of the policy were not explained in any of the literature supplied by Prudential when they took out the policy.

Whilst it is the role of the regulator to evaluate the fee levels set by firms, I can comment on whether charges have been fairly and reasonably applied in the circumstances of the complaint. I am not persuaded from the information I have seen that fees or charges have been applied unfairly.

I have not seen the information Mr and Mrs G were sent when they took out the policy, which is understandable given how long ago it was. So I am not able to say whether Prudential gave them clear information about what the policy cost. But, in this instance, it would be the responsibility of the broker selling the policy to explain the cost. This is a relevant factor when advising on whether a policy is suitable for a customer. So this is not a basis for me to uphold a complaint against Prudential.

value of the policy at maturity

I understand why Mr and Mrs G are disappointed about how policy B has performed. It has fallen short of the target amount. And it hasn't performed as well as their other endowment. But their other endowment was taken out at a different time and with a different policy provider.

Prudential's obligation under its agreement with Mr and Mrs G was to invest the premiums, after paying its costs and the costs of the life cover and critical illness cover. I think that this is what Prudential did.

The investments made by Prudential may have underperformed but this is one of the risks of an investment product. Investment management and selection is subjective and the underperformance could be because of management decisions, economic factors, professional judgements or a number of other reasons. I don't have a basis for finding that Prudential has acted unreasonably in managing Mr and Mrs G's funds or made commercial decisions it was not entitled to make. From the information available to me, I've concluded that Mr and Mrs G were paid their fair share of maturity proceeds when their policy matured.

my final decision

For the reasons I have explained, I don't uphold Mr and Mrs G's complaint against The Prudential Assurance Company Limited.

Under the rules of the Financial Ombudsman Service, I am required to ask Mr and Mrs G to accept or reject my decision before 3 December 2015.

Daniel Sheridan
ombudsman