

complaint

Mr F has complained that his terminal bonus applied to his investment was lower than it should have been. He has noted that the performance of the with profits fund has been positive over the years and notes that this has not been reflected in his terminal bonus.

He feels that The Prudential Assurance Company Limited's decision to move part of its holdings to Hong Kong has adversely affected his bonus.

background

An adjudicator at this service considered the complaint but did not uphold it. He felt that the terminal bonus was not a reflection of the annual profits made by the fund but was reflective of the whole investment period. The adjudicator also could not see any evidence to indicate that the Prudential's business ventures in Hong Kong had any impact on the terminal bonus.

Mr F did not agree. He stated that he had noted the positive movements of the market and while some asset classes made a loss, overall the returns were positive. He did not believe his terminal bonus was reflective of the investment he held. He also noted that the literature supplied regarding the move to Hong Kong indicated that part of the fund was used in this respect and this must be what affected his bonus.

As no agreement could be reached the complaint has been referred to me for review.

my findings

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

As Mr F may be aware, his policy attracts annual bonuses and there may also be a terminal bonus payable if the Prudential believes that justified. Annual bonuses, once declared, cannot normally be taken away or reduced and this is why, generally, a policy's value will increase year on year. However, a terminal bonus is very different and is payable at the discretion of the provider, in this case the Prudential.

As the documentation that accompanied Mr F's statements explained, the terminal bonus is not guaranteed and can change at any time. There is no absolute requirement to pay a terminal bonus. The two types of bonus are not linked so an increase in annual bonus or further addition of annual bonus does not necessarily mean the terminal bonus increases. Similarly the fact that there may have been a positive return on the with profits fund in a particular period does not mean there will be a consequent uplift in the terminal bonus. As Mr F may have noticed, the total value of his policy has fluctuated from time to time dependent on the terminal bonus being assumed.

Terminal bonus is indirectly linked to the performance of the Prudential's with profits assets but it is also as much a matter of its judgement as to what is the right share to apportion to each policy bearing in mind it is trying to smooth the investment return over time and into the future - when it is by no means certain what returns will be. This can be a difficult balance. Therefore the terminal bonus can be 'reduced' (in comparison with some earlier level) regardless of the intervening with profits performance.

Bearing these factors in mind I do not believe the fact that the terminal bonus payable on Mr F's policy was lower than a previous projected bonus, whilst unfortunate, means that the Prudential have done something 'wrong' or applied the wrong level of bonus.

I would confirm that I have not seen any persuasive evidence that his terminal bonus has been affected by any ventures the Prudential may be undertaking in Hong Kong. The Prudential says it has not.

I would also say that the Prudential cannot give any prior notice of reduction in terminal bonus by the simple virtue that it does not know what that decision will be until it makes it.

I note that the Prudential has offered £50 in recognition of its complaint handling and this seems to me to be reasonable in the circumstances.

my final decision

I do not uphold the complaint or make any award. If Mr F has not already accepted the Prudential's offer of £50 I leave it for him to decide if he wishes to accept that.

David Bird
ombudsman