Financial Ombudsman Service

complaint

Mr and Mrs A complain that The Prudential Assurance Company Limited mis-sold them a mortgage endowment policy that didn't suit their needs.

background

Mr and Mrs A took out a mortgage endowment policy with the Prudential in 1997 for a little over £30,000. The policy was invested 50% in a with-profit fund and 50% in a managed fund. It was designed to be a top-up on two existing endowment policies that Mr A had totalling just over £30,000 as they were buying a new home.

In 2014, Mr and Mrs A complained through a representative to the Prudential about the advice they'd been given when they took out the endowment policy. They said that the product wasn't suitable for them in their circumstances and that, if they'd been properly advised, they would have taken out the lower risk option of a capital repayment mortgage.

The Prudential rejected their complaint. It said the documents it had from the point of sale showed that different methods of repayment were discussed with Mr and Mrs A. It thought the policy was suitable for people with a balanced attitude to risk which it said was recorded in the suitability report. Mr and Mrs A's representative wasn't satisfied with this and brought the complaint to this service. The adjudicator investigating the complaint thought it shouldn't succeed because she didn't think the recommendation was unsuitable taking into account Mr and Mrs A's circumstances at the time. Mr and Mrs A's representative asked for the complaint to be reviewed by an ombudsman.

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 done so, I don't think this complaint should be upheld and I'll explain why.

The sale of the policy was a long time ago so I've looked, in particular at the documents from the time of the sale. The recommendation report prepared by the adviser was signed by Mr and Mrs A at the time. It says that capital repayment mortgages were discussed as an option but discounted, in particular because Mr and Mrs A already had a mortgage endowment and wanted something that would be a top up and would portable. Therefore I believe that the adviser did explore the options with Mr and Mrs A and that they understood the alternatives.

Mr and Mrs A's representative says they weren't in a position to take any risks. But it's difficult to know how Mr and Mrs A felt about this at the time. The possibility of a shortfall is clearly set out in the recommendation report which Mr and Mrs A received and signed. The report also mentioned that they had a balanced attitude to risk and I haven't seen anything to suggest that Mr and Mrs A could take no risk at all. It isn't for me to rate the level of risk involved in this type of endowment. However, I think it is fair to say that such a policy split between a managed fund and a with-profits fund would typically have been considered to have involved a low to medium level of risk. t seems to me that the endowment policy sold by Prudential wasn't unsuitable for Mr and Mrs A's 'balanced risk profile'.

The policy was due to end before Mr A's planned retirement age. So I think there would have been an opportunity for them to take action to make up a possible shortfall at the end of the policy.

In all the circumstances and based on the information from the point of sale, I don't think this recommendation was unsuitable for Mr and Mrs A at the time. I know that this isn't the outcome Mr and Mrs A were hoping for. I understand Mr and Mrs A now have a new mortgage which is partly on a capital repayment basis but are keeping the endowment policy. If they have concerns that it won't meet their needs in the future, they can now take independent advice about the best way forward.

my final decision

For the reasons given above, it's my final decision that this complaint is not upheld.

Under the rules of the Financial Ombudsman Service, I am required to ask Mr and Mrs A to accept or reject my decision before 16 November 2015.

Susie Alegre
ombudsman