

## **complaint**

Mr B has complained that illustrations he was provided by The Prudential Assurance Company Limited ("Prudential") of the projected maturity value of an endowment policy due in February 2012 misled him to believe that he would receive more than he actually did receive.

Furthermore, the maturity value he received in February 2012 was less than the illustrated surrender values he was provided approximately six months earlier.

Mr B submits that the misleading information he was provided in 2011 persuaded him to retain the policy to maturity when he would have been better-off surrendering the policy in 2011. Even the 'pre-maturity letter' he received in January 2012 included errors which confirmed that the actual maturity value was almost £4,000 less than the total value of the three component parts quoted in the letter.

Mr B has requested Prudential to pay him compensation of the difference between the projected maturity value he was quoted in September 2011 and the actual maturity value he received in February 2012.

In response, Prudential accepted that it had provided Mr B misleading information regarding the projected maturity value of his policy but it did not accept that he had suffered a financial loss. The maturity value he received in February 2012 was the true value of the policy at that time, and the previous information had given him a loss of expectation of the maturity value he might receive. It, therefore, offered Mr B the sum of £150 for the distress and inconvenience this matter had caused him, which he rejected.

## **background**

Mr B's complaint was investigated by one of our adjudicators, who concluded that, although he had not suffered a financial loss, the information Mr B had received from Prudential did not adequately explain the terms and conditions of the policy as they determined the final maturity value.

As a consequence, while the adjudicator was satisfied that the maturity value Mr B received was correct, the information he had received previously may have given him a false expectation of the final value he might receive when the policy matured.

The adjudicator noted that all maturity value projections did warn Mr B that the figures illustrated were not guaranteed as actual future bonus rates to maturity may be more or less than the rates assumed in the illustrations. As it was, the final bonus rate declared by Prudential at 1 January 2012 was lower than the illustrations in 2011 assumed.

In these circumstances, the adjudicator was satisfied that the offer of £150 made by the business was fair and reasonable.

In response, Mr B disagreed with the adjudicator's assessment and said that other factors that affected the final value at maturity, such as the deduction of accumulated additional management charges and adjustments to the basic units and bonus units, were not accounted for in the maturity value projections; neither was any risk warning given in these projections that the final value would be affected by these factors. He also says that he may have surrendered the policy in 2011 if he had been aware that these charges would apply to

the policy value at maturity that gave him less than the surrender value he was quoted six months earlier.

Prudential commented that the application of the additional management charges as a cumulative deduction at maturity was covered in the policy terms and conditions and that the final value Mr B received at maturity was correct. It had offered him compensation of £150 for the errors it had made in the pre-maturity correspondence and for insufficient explanations it gave for the effect of ongoing charges on the final maturity value. However, it maintained that Mr B had not made a financial loss.

As no agreement has been reached in this complaint, it has been referred to me for review.

### **findings**

I have considered all the available evidence and arguments from the outset, in order to decide what is fair and reasonable in the circumstances of this complaint. Having done so, I find that I agree in principle with the conclusions reached by the adjudicator, and for essentially the same reasons.

It is evident that any confusion in the maturity value Mr B expected to receive in February 2012 has emanated from the decision he took in July 2002 to make the policy fully-paid. In other words, he left the policy in force to mature in February 2012 without making any further premiums from August 2002.

However, Prudential applied an 'Additional Management Charge' since the policy was made fully-paid because it was still required to administer the policy whose ongoing value continued to attract future bonuses. The policy terms and conditions allowed this charge to be applied as a cumulative deduction when the policy matured and not, as one might expect, on an ongoing annual basis.

Hence, all the annual bonus statements Mr B received since 2002, and the projected maturity value (and even the surrender value) illustrations he received in 2011, did not apply any deduction for this charge to the 'Basic Units' and the 'Bonus Units' until the policy matured.

The maturity value would reduce further if the then current rate of 'Final Bonus' assumed in the maturity value projections in 2011 reduced when the annual bonus declaration was made January 2012. As it was, the rate of Final Bonus for this policy did reduce from 51% to 48%.

I agree with Mr B that the application of the Additional Management Charge and its potential effect on the final maturity value was not explained to him when he requested illustrations in 2011. Furthermore, as the surrender values he was quoted in 2011 did not allow for this charge either, the actual cash value he would have received if he had surrendered the policy in 2011 would have been less than the value he was quoted. This does not appear to have been explained to Mr B at the time either.

Notwithstanding this, although Mr B has said that he might have surrendered the policy in 2011 had he known that the eventual maturity value in February 2012 would have been less than the surrender value he was quoted earlier, I am inclined to believe that he would not have done so once he knew what the actual surrender value payment would have been in 2011.

Also, while the pre-maturity letter Mr B received from Prudential in January 2012 quoted the correct maturity value, it did include errors in its component parts which appeared to overstate the maturity value by almost £4,000.

In summary, the maturity value Mr B received in February 2012 was less than the illustrations he received in 2011 because:

1. The value of the 'Basic Units' was reduced at maturity by the Additional Management Charges accumulated since 2002;
2. The value of the 'Bonus Units' was correspondingly adjusted because the rate of bonus is applied to the value of the 'Basic Units';
3. The 'Final Bonus' rate reduced from 51% (the rate assumed in the 2011 illustrations) to 48% at January 2012. Furthermore, the *amount* of 'Final Bonus' reduced further because, at maturity, it was based on the value of the Basic Units and the Bonus Units (which had also been reduced since the 2011 illustration).

I am not persuaded that these issues were fully explained to Mr B by Prudential during its handling of his complaint either.

For these reasons, I proposed to Prudential that it should offer Mr B £250 for the shortcomings in the information it provided him in 2011 about the calculation of the maturity value in February 2012. Prudential has agreed to this proposal to settle Mr B's complaint.

Otherwise, as I am satisfied that Mr B received the true value of his policy at maturity, I do not believe it would be appropriate for him to receive compensation based on the projected maturity value illustrations he was given in 2011, which were never guaranteed. Accordingly, I agree with Prudential that Mr B has not suffered an actual financial loss.

### **decision**

My final decision is that I do not uphold Mr B's claim for compensation based on the maturity value projections he received in 2011.

However, I do require The Prudential Assurance Company Limited to pay him £250 for the shortcomings in its pre-maturity correspondence which did not adequately prepare him to expect that the maturity could be significantly less than the projected maturity value and surrender value quotations he received in 2011.

Otherwise, I make no award.

Kim Davenport  
**ombudsman**