

## **complaint**

Mrs C, as the personal representative of the estate of the late Mr C, complains that The Prudential Assurance Company Limited should have advised Mr C in 2009 to renew life cover provided by a term assurance policy before it was due to expire at age 60.

Sadly, Mr C died six years later without extending his life cover and Mrs C received no claim payment. She has requested the sum assured under the policy of £55,000 to be paid to her.

## **background**

Mr C arranged a personal pension policy and a term assurance policy with Prudential in 1984 through an independent broker (IFA).

No term was specified for the pension policy as Mr C could take the benefits at any time between ages 60 and 75. Also, Mr C confirmed on the policy application that, if he died before taking the benefits, the policy should pay a refund of his contributions, without interest.

Mr C also applied for the term assurance providing life cover of £55,000 to age 60. Mrs C has said Prudential should have warned Mr C to extend his life cover once it was evident he was continuing to contribute to the pension policy after age 60.

In response, Prudential confirmed it sent letters to Mr C and his IFA in October 2008 and January 2009 informing them that the term assurance policy was due to expire. In March 2009, it wrote to them to confirm that the policy had lapsed.

Our adjudicator didn't think Mrs C's complaint should be upheld. The term assurance policy was sold to Mr C in 1984 by an independent financial adviser. Prudential was the product provider which set up and administered the policy in accordance with Mr C's application. It hadn't given Mr C advice to take out this policy on the terms he requested on his application. As such, it wasn't responsible for checking whether the expiry date of the term assurance policy matched the date when Mr C intended to take his pension benefits. Neither was it obliged to advise him to renew his life cover accordingly as he approached age 60.

Mrs C disagreed with the adjudicator's view. She said that:

- Mr C had taken out the term assurance policy to provide life cover while he continued to work and before he took his pension benefits. It ought to have been evident to Prudential that this cover should have been extended as he approached age 60;
- the letters from Prudential which notified him that the term assurance policy was due to expire were addressed to the IFA, who had not been in contact with them since the policy was sold. Although the letters state that copies had been sent to Mr C, he didn't receive these. Prudential should have sent these letters by 'recorded delivery' and followed them up with a telephone call;
- the premiums for both policies had been paid under a single direct debit reference which gave the impression premiums for the term assurance policy were still being paid after it expired;
- Prudential should have realised it didn't make sense that the respective terms of each policy didn't coincide. Once Mr C decided not to take his pension benefits at age 60, he should have been warned that life cover provided by the term assurance policy should be extended;

- Prudential continued to take premiums for the pension policy after it had been told of his death. It also sent out a statement addressed to him six months after he died which confirmed the fund value of the policy that wouldn't be paid to his estate.

She concluded that, for these reasons, Prudential is guilty of wrongdoing and should compensate her accordingly.

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

## **findings**

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

I must stress to Mrs C that the pension policy and the term assurance policy were arranged for Mr C by an independent broker in 1984, who was not a representative of Prudential. As such, Prudential didn't give Mr C this advice; it wasn't responsible for agreeing the terms of each policy with him at that time, the premiums he was prepared to pay for pension provision or how long he required life cover. Neither was it required to monitor and advise on these policies while they were in force. Prudential was responsible for managing and administering the policies in accordance with their terms and conditions.

The pension policy is written with no specific term or retirement age because Mr C could take the benefits at any time between age 60 and 75. He will have set the monthly contributions according to how much he could afford to pay.

The term assurance policy, on the other hand, required Mr C to state the term over which he required life cover. Mr C requested cover of £55,000 to cease after 25 years, at age 60, the premium for which was £164.50 per annum. This premium would have been much greater if he had requested life cover to age 75.

It's reasonable to assume from this that Mr C's intention in 1984 was to retire at age 60 when he could also take the pension benefits. Otherwise, I'm sure he would have been advised to take out the term assurance policy over a longer term.

But, if Mr C had agree to a policy providing life cover of £55,000 over 40 years, and he then decided to retire earlier than at age 75, he will have paid a greater premium than would have been necessary for a term assurance policy with the "correct" term.

Prudential would not know how Mr C's circumstances might have changed since 1984 that would require him to alter the terms of his policies. If Mr C subsequently decided not to take his pension benefits at age 60, the pension policy would cater for this need by default without needing any alteration.

But he would need to replace the term assurance policy if he wanted life cover after age 60. That was a decision for him to make with his adviser. It was not Prudential's responsibility to monitor the policies against his changing retirement needs. It was obliged to set up the policies in accordance with his applications in 1984 and isn't responsible for altering their terms unless Mr C instructed it to do so.

I note that Prudential did write to Mr C's IFA (with a copy addressed to him) in October 2008 and January 2009 notifying him that the term assurance policy was due to expire in March

2009. It was Mr C who needed to decide whether or not he wanted to extend the life cover provided by this policy. He couldn't do so through the existing policy as it was due to lapse in March 2009. He would need to apply for another policy with a term that provided life cover to his intended retirement age. Also, he could have arranged this cover through any other provider.

Prudential did notify Mr C twice that life cover provided by his term assurance policy was due to come to an end in March 2009. It was not obliged to advise him whether he might consider extending life cover even though it might have seen that he continued his contributions to the pension policy. Indeed, Prudential might have reasonably assumed that Mr C had arranged further life cover elsewhere.

I appreciate that Mrs C has said Mr C didn't receive these 'reminder letters'. But it does seem these letters were correctly addressed and I can't hold Prudential responsible for any failings in the postal system. While Mrs C has suggested that Prudential should have sent this routine correspondence by 'recorded delivery', it wasn't obliged to do so. It notified Mr C that the policy was due to expire and wasn't responsible for advising him what action he should take in these circumstances.

Mrs C has suggested that, in taking premiums for both policies under one direct debit instruction with the term assurance policy number as the reference, Prudential intended to mislead them into believing that the term assurance policy was still in force after March 2009. I'm not persuaded that Prudential deliberately set out to mislead Mr and Mrs C in this way. Even if the premiums to both policies were collected by one direct debit, Mr C ought to have seen that the amount debited from their bank account would have reduced by almost £15 per month when the term assurance policy expired.

My understanding is that Prudential collected two pension contributions after Mr C died, for April and May 2015. But it wasn't notified of his death until 8 May 2015 and, therefore, it was understandable that it collected these two contributions. It did, however, refund them to Mrs C's bank account almost immediately it knew Mr C had died.

Prudential also confirmed to Mrs C's solicitor that the sum payable under the pension policy was around £21,000. This prompted her representative to query why there was such a discrepancy between the fund value of this policy and the amount payable on death. Prudential replied to Mrs C on 21 May 2015 to confirm that Mr C had specified on his application in 1984 that the death benefit should be a return of premiums, without interest, and not the fund value of the policy. Choosing this option increased the guaranteed fund payable when he retired.

I do sympathise with Mrs C that, in the current circumstances, there's no longer any advantage in this option. But Prudential was not involved in this decision made by Mr C and his adviser in 1984 who, themselves, couldn't possibly have envisaged that he would die before taking his pension benefits.

Prudential did apologise to Mrs C in August 2015 for its error in sending a valuation statement addressed to Mr C around five months after he died. It also accepted that this will have caused Mrs C some distress at what was a very difficult time for her.

Given also the statement reminded her of the fund value she wouldn't receive, I've put it to Prudential that it should pay her £300 for the upset this error will have caused her. Prudential has agreed to pay her this sum.

Otherwise, while I very much sympathise with Mrs C's current situation, I regret that I cannot uphold her complaint.

**decision**

My final decision is that I don't uphold Mrs C's complaint.

However, as I've explained above, The Prudential Assurance Company Limited should pay her £300 for the trouble and upset she has been caused by its administration of the pension policy after Mr C had died.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs C to accept or reject my decision before 18 August 2016.

I should emphasise to Mrs C that Prudential has agreed it will pay her £300 whether she accepts this decision or not.

Kim Davenport  
**ombudsman**