

complaint

Ms S is complaining about The Prudential Assurance Company Limited because it's provided contradictory and confusing information about the amount she owes on her policy.

background

In 1992, Ms S took out an income protection insurance policy with Scottish Amicable (now Prudential). It was designed to pay a regular income if she becomes unable to work due to ill-health. Following a decision by one of my colleagues in 2016, Prudential was required to reinstate the policy and extend the term to her 65th birthday.

On 26 October 2016, Prudential wrote to confirm it had reinstated the policy and set out a payment plan so Ms S could make up the payments missed while her complaint was being resolved, over a period of 18 months. It also said it would contact her again in May 2018 to confirm what the monthly payments would be when the payment plan was finished.

When Prudential was in contact with Ms S again in 2018, it provided misleading information about the amount owing and this caused confusion. Ms S tried to make extra payments, but the situation wasn't resolved and her cover lapsed as a result. In recognition of the confusing correspondence provided, Prudential offered compensation of £300 and told Ms S how much it thought she owed to bring the policy up to date so it could be reinstated.

I previously issued my provisional decision explaining why I didn't think this complaint should be upheld. I set out what I thought needed to be done if Ms S decides she wants to continue with the policy and why I thought the compensation Prudential has already offered is fair.

Ms S didn't accept my provisional decision and made the following key points:

- She paid two premiums in May 2018, covering the amounts owed in April and May of that year.
- It took Prudential several months to sort things out after my colleague's decision in 2016 and she spent considerable time chasing this.
- When she contacted Prudential in April 2018 to clarify the situation with her policy, she again received poor service, involving wrong information and considerable time trying to resolve things.
- During this time, she didn't know if she was covered or not. The amount of compensation offered doesn't take adequate account of the stress she's suffered and the time she's spent on this.
- She's worried other customers have been affected by poor service in the same way.
- She's now decided she won't pay any more into the policy and regrets continuing with it in 2016.

my findings

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint. Having reconsidered the case, including Ms S's response to my provisional decision, my conclusions haven't changed.

In terms of the payments made, I have considered the bank statements Ms S has provided. While there is a small discrepancy over exactly when each payment was made, her records of the actual amounts paid since April 2018 exactly match Prudential's of the amounts it's received during the same period. As Ms S hasn't provided any evidence to show she's paid any more than Prudential says it received before that either, I can only conclude the amount Prudential says she owes is correct. This is how much Ms S would need to pay to restart her policy.

There's no dispute that Prudential has made errors. I can see it took some time to restart cover in 2016, but I note it recognised that when it reduced the arrears to be repaid by £200. This wasn't something it was required to do to comply with my colleague's decision.

Since then, there's no dispute Prudential has made further errors and that this has led to considerable confusion. The issue I have to decide is what it should do to put things right.

It's important to understand the ombudsman service isn't the industry regulator. That means we don't set the rules for financial businesses or police the industry to make sure the rules are followed. It also means I don't have the power to fine or punish a business for poor practice. Instead, my role is to consider individual complaints and make decisions I consider to be fair and reasonable in the circumstances. Where I award compensation, the main aim is to put the consumer back into the position he/she would be in but for the business' error.

In this case, Ms S is in a position where she's actually paid less in premiums since the policy started than she would have if the problems she's experienced hadn't happened. So I don't think I can reasonably say she's suffered a loss for which she should be compensated. I understand Ms S has spent time trying to resolve the situation with her policy, but we don't normally compensate for the time associated with pursuing a complaint and I've already explained I'm not looking to do that here.

The above notwithstanding, I can see Ms S has suffered unnecessary trouble, upset and stress. The impact this has had on her is not straightforward to assess, but in the circumstances I still think a moderate payment of £300 is reasonable. This is in addition to the £200 Prudential wrote off the outstanding premiums in 2016.

It's now for Ms S to decide whether she wants to restart her policy so she can continue with the cover it provides. I understand why she may not feel that's worthwhile. But if, after further reflection, she changes her mind then I've explained what she needs to do and that she won't have any cover unless she does it.

my final decision

My final decision is that I don't uphold this complaint.

Prudential has already made an offer to pay £300 to settle the complaint and I think this is fair in the circumstances. So if she hasn't already received that and now wishes to accept it,

my decision is that The Prudential Assurance Company Limited should pay Ms S compensation of £300.

If Ms S changes her mind and decides she wants to reinstate her policy and continue with the cover, she should confirm this when responding to my decision. To be clear, if she accepts my decision, Ms S will be entitled to the £300 compensation whether or not she decides to restart the policy.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms S to accept or reject my decision before 8 March 2019.

Jim Biles
ombudsman

extract from provisional decision:**my provisional findings**

Prior to Ms S's original complaint, it's my understanding premiums hadn't been paid since December 2015. On 26 October 2016, Prudential wrote to Ms S setting out the amount she'd need to pay over the next 18 months to bring the policy up to date, covering both the normal premium due and the missed payments. Prudential has now provided the following list of all the payments it thinks should have been paid since December 2015 and the payments it thinks it has received.

Date Premium Due	Amount Due	Payment Received	How paid
01/12/2015	£125.81	Nil	
01/01/2016	£125.81	Nil	
01/02/2016	£125.81	Nil	
01/03/2016	£125.81	Nil	
01/04/2016	£125.81	Nil	
01/05/2016	£125.81	Nil	
01/06/2016	£125.81	Nil	
01/07/2016	£125.81	Nil	
01/08/2016	£125.81	Nil	
01/09/2016	£125.81	Nil	
01/10/2016	£134.46	Nil	
01/11/2016	£134.46	Nil	
01/12/2016	£134.46	£200.70	Cheque
01/01/2017	£134.46	£200.70	Standing Order
01/02/2017	£134.46	£200.70	Standing Order
01/03/2017	£134.46	£200.70	Standing Order
01/04/2017	£134.46	Nil	Standing Order
01/05/2017	£134.46	£200.70	Standing Order
01/06/2017	£134.46	£200.70	Standing Order
01/07/2017	£134.46	£200.70	Standing Order
01/08/2017	£134.46	£200.70	Standing Order
01/09/2017	£134.46	£200.00	Standing Order
01/10/2017	£146.14	£200.70	Standing Order
01/11/2017	£146.14	£200.70	Standing Order
01/12/2017	£146.14	£200.70	Standing Order
01/01/2018	£146.14	£200.70	Standing Order
01/02/2018	£146.14	£200.70	Standing Order
01/03/2018	£146.14	£200.70	Standing Order
01/04/2018	£146.14	£200.74	Faster Payment?
01/05/2018	£146.14	£200.70	Standing Order
01/06/2018	£146.14	£200.70	Standing Order
01/07/2018	£146.14	Nil	
01/08/2018	£146.14	£134.00	Standing Order
01/09/2018	£146.14	£146.00	Standing Order

01/10/2018	£155.24	£146.00	Standing Order
01/11/2018	£155.24	Nil	
01/12/2018	£155.24	Nil	
01/01/2019	£155.24	Nil	
Totals	£5,246.26		
Less £200 write off	£5,046.26	£4,037.94	

Ms S has provided evidence of the payments she's made since April 2018 and these correspond with Prudential's records for the same period. If Ms S thinks the above figures for the period before April 2018 are wrong, I'm happy to look at any further evidence she provides.

Assuming the above figures are correct, and taking account of the £200 Prudential wrote off in October 2016, this means Ms S would need to pay £1,008.32 to bring the policy up to date today. That amount will increase each time a monthly payment is missed.

I understand the policy has lapsed due to missed premiums and that means she isn't covered at the moment. If Ms S wants the policy to be reinstated again so she can continue to benefit from cover, she'd need to pay the monthly premium of £155.24 going forward. I understand she completed a direct debit instruction in July 2018, but it's not clear if this is still valid. If not, she'll need to complete another.

To bring the policy up to date so it can be reinstated, Ms S would also need to make up the premium payments that have been missed. As I said above, I currently think these total £1,008.32, but that amount will increase each time a further payment is missed. It should help to avoid a repeat of the problems she's recently experienced if Ms S is able to pay this amount in one go. But if not, Prudential is willing to set up another payment arrangement so it can be paid in instalments.

It's up to Ms S whether she wants to reinstate and continue with her policy, but I've set out above what needs to happen if she opts to do so. She can notify Prudential of her decision when she's had a chance to think about it or speak to our adjudicator.

This issue aside, it's clear Prudential has made errors in its recent communication with Ms S and this has caused considerable confusion. I'm pleased Prudential accepted this and has apologised for the poor service provided. I've thought carefully about what else it should do to put things right.

I don't think it's appropriate to require Prudential to waive the missed premiums needed to bring Ms S's policy up to date so it can be reinstated. But I do think some compensation is due for the unnecessary trouble and upset she's experienced.

The impact of this issue on Ms S, and therefore the amount to award, is difficult to assess. It's also important to understand we don't normally award compensation for the time involved in pursuing a complaint. On balance, I think the £300 Prudential has already offered is reasonable in the circumstances. As a result, and because Prudential has said it's willing to reinstate the policy if payments are brought up to date, I'm not currently planning to require it do anything else.

Ms S should now think carefully about whether she wants to continue with her policy or not and either let Prudential or our adjudicator know. She should also confirm whether she's able to pay the missed premiums in one go or if she needs to do so in instalments. If she accepts my decision, Ms S will still be entitled to the £300 compensation whether or not she continues with her policy. If she does continue with the policy, it might be prudent for Prudential to use it to reduce the payment arrears instead of sending her the money. But that would also be a decision for Ms S to make.

I appreciate Ms S probably won't be entirely satisfied with everything I've said. But I do agree with her that Prudential's service has fallen short of the standard she was entitled to expect. If the complaint is resolved in the way I've suggested, I think that would be a fair outcome.

my provisional decision

My provisional decision is that I don't intend to uphold this complaint.

Prudential has already made an offer to pay £300 to settle the complaint and I think this is fair in the circumstances. So if she hasn't already received that and now wishes to accept it, my provisional decision is that The Prudential Assurance Company Limited should pay Ms S compensation of £300.

If Ms S wants to reinstate her policy so she can continue to have the cover it provides, I've set out above what she'd need to do. It's in her interest to make a decision on that as soon as she reasonably can because the amount of missing premiums to be repaid will continue to increase each month and she won't be covered until appropriate arrangements are made so the policy can be reinstated.