complaint

Mr and Mrs H, through a representative, complain that The Prudential Assurance Company Limited mis-sold them a mortgage endowment policy. Mr and Mrs H say Prudential led them to believe that the policy would pay out enough to cover their mortgage along with an additional cash sum. They also say that Prudential failed to assess how much risk they were willing to take or explain the risk of the policy.

background

In 1989 Prudential sold Mr and Mrs H a with-profits endowment policy. The term of the policy was 23 years. It had a target value of £25,500. The policy was surrendered in around 2005.

In 2003 Mr and Mrs H complained to Prudential about the policy. Prudential sent them a letter rejecting the complaint. It didn't accept that it had made any guarantee to Mr and Mrs H about what they would receive at maturity.

Prudential sent its response to the wrong address and has admitted this was its mistake. It agreed that we should consider the appeal.

Our adjudicator didn't think Prudential mis-sold the policy to Mr and Mrs H. She said that at the time the policy was sold with-profit policies were considered low risk. She looked at Mr and Mrs H's circumstances at the time of the sale and didn't think the policy was unsuitable for them.

Mr and Mrs H disagree and so the complaint has been passed to me.

my findings

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint. For the reasons I will now explain, I've reached the same view as our adjudicator.

When Mr and Mrs H took out the policy they were working in jobs that did not require any expertise in finance and investments. So I think Mr and Mrs H would've relied heavily on what they were told by Prudential when it sold the policy to them.

I don't know what the advisor from Prudential said when the policy was sold. Mr and Mrs H say that they were told it would definitely pay off their mortgage and there would be an additional lump sum. I fully expect that Prudential portrayed the policy in a favourable light and downplayed any risk. But there isn't enough evidence for me to find that Prudential guaranteed the policy would pay out its target amount at maturity.

I have taken into account Mr and Mrs H's representative's comments about the risk of with-profits policies. But in 1989, at the time the policy was sold, with-profits endowment policies were generally considered to involve a low amount of risk. And the advisor from Prudential would not have expected there to be a shortfall at maturity. I expect he conveyed this to Mr and Mrs H. But that is not the same as guaranteeing what they would get. And it is not enough for me to find that Prudential mis-sold the policy to them.

I don't know what Prudential told Mr and Mrs H about the risk of the policy or about how it would be invested. I also don't know what assessment it made about their attitude to risk. But having considered Mr and Mrs H's financial circumstances at the time they took out the policy, I don't think it was wrong for Prudential to recommend it to them. Mr and Mrs H were in their 30s and the monthly payments were affordable for them. The policy would've matured before they would be expected to retire. And such policies were considered at the time to be relatively low risk products. From the information I have seen, there was nothing about Mr and Mrs H's circumstances that would've made this policy not suitable for them.

I know my decision will be a disappointment to Mr and Mrs H. However, I'm not persuaded that Prudential's advice was clearly unsuitable for Mr and Mrs H at the time it was given.

my final decision

My final decision is that I don't uphold the complaint against The Prudential Assurance Company.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr and Mrs H to accept or reject my decision before 11 February 2016.

Daniel Sheridan
ombudsman