

complaint

Mr W complains that his trustee investment plan (TIP) was not reinvested at the end of the 5 year term. He complains The Prudential Assurance Company Limited (Prudential) informed his advisers on a number of occasions that the plan was still invested and increasing in value. Mr W says Prudential also provided a written valuation indicating the plan was increasing in value.

He says Prudential should pay him the value it quoted in July 2018 not the value of the plan at the end of the term in 2014.

background

Mr W took out a trustee investment plan in March 2009. It had a term of 5 years and was invested in a number of different funds.

In December 2013 Prudential wrote to Mr W, via his advisers, and told him that his plan was due to mature on 11 March 2014 and that he would need to provide written confirmation regarding settlement of the plan. Prudential sent a similar letter in February 2014.

Prudential then sent a series of letters starting in March 2014 and carrying through to 2019. Those letters stated that Mr W's plan had matured in March 2014 with a value of around £124,000. They warned Mr W. "*the funds gain no growth or interest from the maturity date*" and asked for Mr W's instructions for withdrawal.

In 2015 Mr W changed financial advisers and that change was recorded by Prudential.

In March 2017 a unit statement was produced indicating the value of the plan was around £155,000 and setting out the different funds it was invested in.

In around May 2017 the plan was reassigned to new trustees.

In September 2018 a written valuation was provided by Prudential indicating the value of the plan was higher than the maturity value.

In January 2019 Mr W's adviser spoke to the business and was given a valuation of around £155,000. The adviser contacted Prudential again on that day and spoke to another representative who confirmed the plan was still gaining growth. The adviser made a third phone call on the same day and was informed that the plan had matured and that what he had been told earlier that day was incorrect.

In February 2019 Mr W's adviser complained on his behalf. He said the TIP had matured in March 2014 with a value of £124,000 but on 24 September 2018 Prudential had written and given him a valuation of around £162,000 and that information had been passed on to Mr W. He also explained that he had been given conflicting information in January 2019. The adviser said he had been given significantly higher values than the £124,000 on three occasions.

Prudential upheld the complaint in part and apologised for having provided conflicting information. It said that there had been a “*system limitation*” which meant Prudential’s system hadn’t recognised Mr W’s plan had matured and had continued to treat it as a live plan. But it said that the problem had been fixed to stop this from happening in the future.

It also pointed out that a number of letters had been sent to Mr W’s advisers informing them that the plan had matured and would no longer have any interest or growth. It said it couldn’t pay Mr W the incorrect higher value because that wasn’t what he was entitled to under the terms of his plan which had matured in March 2014. But it recognised Mr W had been caused trouble and upset by being given incorrect information and offered £400 in compensation.

Mr W disagreed and referred his complaint to our service. He said Prudential had previously quoted higher valuations in November 2015, July 2016, July 2017 and July 2018. Mr W said he had relied upon that information. Mr W said if he hadn’t been given that information he would have reinvested the funds in his plan.

In November 2019 Mr W reinvested the proceeds of his plan into a new TIP which was invested in 4 different funds.

Our investigator considered Mr W’s complaint and didn’t uphold it. She acknowledged that Mr W had been given conflicting information. But she took into account that Prudential had sent a number of letters informing Mr W (through his advisers) that his plan had matured and was no longer earning any interest or growth. The investigator felt the £400 offered for the trouble and upset caused was fair and reasonable in the circumstances.

Mr W disagreed and said his plan was originally set up with terms which meant it would roll over to another investment at maturity. He said in 2011 Prudential changed the terms of the whole plan (not just the amount invested in the protected fund). So that at the maturity date all the monies needed to be taken out and re-invested. Mr W said in the event this withdrawal and reinvestment did not happen, Prudential introduced what he described as a punitive measure, that no interest or growth would be added to the plan.

Mr W said Prudential was unable to update its systems to apply this change. So any query about the value would show the whole amount as still being invested. He said Prudential’s staff were unaware that the monies were not invested so could not inform his adviser.

Mr W said statements were sent to his adviser which showed a far higher value than the “maturity value.” He questioned how he could be sure that the letters sent by Prudential regarding maturity superseded those statements.

Mr W also questioned why Prudential was entitled to “correct their mistake.” He pointed out his advisers were consistently supplied with incorrect information over 5 years. Mr W said the £400 compensation offered by Prudential was insufficient and noted the lost growth was between £30,000 and £40,000.

As no agreement could be reached Mr W’s complaint was referred to me for review.

my findings

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

Mr W took out a trustee investment plan (TIP) in 2009 with a 5 year term. In 2014 that term came to an end. Prudential says at that point the plan matured and it was no longer invested in any funds and would no longer earn interest or growth. Mr W believes the plan continued to be invested, or at least, he says under the original terms it would have continued to be invested. He also says the information received from Prudential led his advisers and Mr W to believe that it was still invested. So he didn't make alternative arrangements to move the proceeds of his TIP to another plan.

Terms and conditions

I can see from the application form that a 5 year term was selected for Mr W's TIP and this also accords with Prudential's records. The illustration prepared for Mr W at that time also assumes a 5 year term.

Mr W says originally the terms of the agreement were such that the plan was automatically reinvested at the end of the term. I can't see anything to suggest that was the case on the key facts/illustration document or the application. It merely says that Mr W's money would be invested in the plan for 5 years and talks about the amount that might be achieved by the end of that term. Prudential also says the contract was for the 5 year term at which point the plan would mature. So, overall I think on balance that the contract was for a 5 year term.

I have been provided with a replacement policy document with terms and conditions for the plan. The terms provided appear to have been issued in April 2014. Those terms indicate that previously there had been an option to reinvest the TIP in a new plan on preferential terms at the end of its term. But that this option had been removed in 2011. At that time Prudential would have informed the relevant plan holders and they would have been able to respond with any reasons why they said this shouldn't be allowed. I note Mr W seems to accept that this change occurred and from what he has said, it appears he was aware of the change.

But even if that option had still been available in 2014 (and I don't think it was because the terms and conditions indicate it was removed) I don't think the re-investment would have happened automatically. The option set out in the policy terms was to start a new plan on preferential terms. So I think that would have required something from Mr W to say he wanted that to happen.

On that basis I don't think Mr W's TIP would have automatically continued to be invested after the 5 year term. So I am satisfied on balance that the value in March 2014 of £123,887.26 is the final maturity value.

I also note this appears to have been accepted in the initial letter of complaint to Prudential sent by Mr W's financial adviser as he says:

The above numbered plan matured on the 11 March 2014 with a final value of £123,887.26.

Mr W says Prudential should pay him the amount it quoted in July 2018. But I don't think just because Prudential gave Mr W, or his financial adviser, an incorrect valuation that entitles Mr W to *that* incorrect amount.

Communication about the maturity date and the consequences for Mr W's plan

In March 2014 the 5 year term came to an end. Before that happened Prudential sent letters to Mr W (via his advisers) informing him that his TIP was about to mature and warning him, in effect, that it would no longer be invested and wouldn't earn interest or growth. Those letters were also copied to the trustees of the plan.

There has been no suggestion by Mr W that those letters were not received. I am satisfied on balance that those letters were sent by Prudential. But no action was taken in response to those letters and the money stayed where it was.

Then in 2015 Mr W changed financial advisers and Prudential recorded that change on its system. Those financial advisers also don't appear to dispute that letters from Prudential regarding maturity were received.

Mr W has explained in his complaint that in November 2015, July 2016, July 2017 and July 2018 his financial adviser was given valuations by Prudential over the phone, which were significantly more than the 2014 maturity value and showed the plan was increasing in value. Prudential says it is unable to say whether that was the case as it does not hold records of those phone calls

Mr W has provided slightly different dates for these valuations in his timeline (sent in response to a request for clarification) to the dates he set out in his initial complaint to this service. For instance there is a date in 2014 but no valuation date for 2017. I also note in the complaint to Prudential his financial adviser says Prudential wrote to them on 24 September 2018 with a higher valuation of around £162,000 and refers to valuations given in January 2019. But the adviser doesn't mention valuations being given by Prudential in earlier years.

That may be in part because one or more of these valuations were given to Mr W's previous financial advisers. But I think this does leave a certain degree of uncertainty as to when these valuations were provided and how much was quoted. I consider this means it is less clear how much any valuations were relied upon by Mr W, particularly in the earlier years.

I also have to take into account that letters were still being sent by Prudential informing Mr W that his plan had matured and asking for his instructions regarding withdrawal. Thirteen letters of this type were sent after Mr W's TIP matured.

So, whilst I consider Prudential provided conflicting information I'm not convinced it was reasonable for Mr W, and his advisers, to ignore the written correspondence and rely on one or two telephone valuations. I think some further investigation was warranted to establish exactly what was happening with Mr W's plan. I also note that no annual statements were sent during this time which you might reasonably have expected to happen if the funds were, in fact, still invested.

2017 onwards

I think a certain amount of confusion was caused by some of the information provided by Prudential over this period. A unit statement produced by Prudential on 13 March 2017 was sent to the trustees of Mr W's plan. This set out the value of the TIP which was recorded as £155,000 and the different funds the plan was invested in. Prudential has said that this was issued in error, as its system recorded the plan, in error, as still being invested.

Prudential also wrote to the trustees of the plan in September 2018 regarding updates to the PruFund and the smoothing of investment returns. It said in that letter "*We are writing to you because you're invested in a Trustee Investment Plan.*"

However Prudential also wrote to Mr W's advisers on 13 September 2018 informing them that the plan had matured with a value of £123, 887.26 and that it was earning no growth or interest.

Then a further written valuation was sent to Mr W's financial advisers later in September 2018.

Prudential acknowledged this in its response to Mr W's complaint and said:

"Following your request of 20 September 2018, we incorrectly produced a valuation which detailed a growth. This was then compounded as we incorrectly advised valuations verbally on several occasions thereafter.

But I note that in November 2018 Prudential sent another letter; again stating the plan had matured and was not earning any growth or interest.

Mr W has provided portfolio valuations produced by his advisers in 2016 and 2018 which suggest his advisers believed the amount in the TIP had increased in value and was significantly higher than the 2014 maturity value.

But I take into account there was still ongoing correspondence about the maturity of the plan – with 6 letters between sent from 2016 to 2018.

While I can see why the advisers might have mistakenly taken the view that the TIP plan was still invested, I think if they had carried out further investigation earlier on, this situation could have been resolved.

So, I don't think it would be fair to compensate Mr W for the lost growth on his plan from 2014 to November 2019 (when it was reinvested) for the reasons I have already outlined. This was a plan with a 5 year term and ultimately I consider Mr W and his advisers received a number of letters from Prudential which should have been acted upon. The errors only appear to have started quite some time after maturity and after Mr W's advisers had been correctly told that the plan had matured and was not earning growth or interest.

I'm also not persuaded on balance that if Prudential hadn't provided incorrect information Mr W would have reinvested his plan earlier. I take into account the history of what happened from 2013 when Mr W's advisers were made aware by Prudential of the maturity and the consequences for his plan, but took no action to reinvest the plan.

I also note that Prudential confirmed in January 2019 that some of the information it had provided about the value of Mr W's plan was incorrect and it *hadn't* been invested since 2014. But it took Mr W a number of months after that to reinvest his plan. This didn't happen until November 2019.

Trouble and upset

I consider Mr W was caused trouble and upset by being provided with incorrect information about the value of his plan which also led to some confusion about the status of that plan.

I take into account that incorrect information was provided by Prudential on several occasions over a period of more than one year. Although I think the impact of Prudential's error was largely felt in the later period from September 2018 onwards. I also note the difference in value between the correct and incorrect information was significant. So I think it would have been upsetting for Mr W to have the lower maturity value confirmed.

I consider the trouble and upset caused to Mr W was more than moderate so I don't think the £400 offered is sufficient compensation. Overall I consider £600 is fair and reasonable compensation in the circumstances.

my final decision

My final decision is that Mr W's complaint against The Prudential Assurance Company Limited is upheld in part for the reasons outlined. Prudential should pay Mr W £600 for the trouble and upset it caused him.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr W to accept or reject my decision before 2 August 2020.

Julia Chittenden
Ombudsman