

complaint

Mr B has complained about The Prudential Assurance Company Limited because he wasn't told the value of his bond would be reduced by a market value reduction (MVR).

background

Mr B had a Prudential with-profits bond. In December 2013, he asked to cash in after calling Prudential to check the value. The value of bond was reduced by a MVR, meaning he got less than the amount quoted on the telephone. This wasn't explained during the call.

Prudential says it should have told Mr B about the MVR when he called and offered him £300 for any trouble and upset it caused. But it didn't agree to refund the MVR, saying this possibility was explained in policy documentation and annual statements.

I previously issued my provisional decision explaining why I didn't think Mr B's complaint should be upheld. An extract is attached and forms part of this decision.

Mr B disagrees. He says he knew about the possibility of a MVR, but was told the situation could change at any time and that's why he called before cashing the bond.

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 Mr B's response to my provisional decision, my conclusions haven't changed. I'm not upholding this complaint.

Prudential was entitled to apply a MVR to Mr B's bond and I'm satisfied he got the amount he was entitled to. With that in mind, I don't think it would be reasonable for me to say Prudential should make an extra payment for the amount of the MVR.

I agree Mr B should have been told about the MVR when he called Prudential. If he's saying that its failure to do so influenced him to cancel the policy when he wouldn't have done otherwise, the most appropriate way to resolve that would be for Mr B to return the cash-in value and for Prudential to reinstate the bond. Mr B says he's not prepared to do that.

The MVR was actually a very small part of the bond value and I don't think it's clear Mr B would have made a different decision if this had been mentioned during the call. There are other reasons for thinking Mr B may still have cashed the policy even if he'd been told about the amount of the MVR. In particular, the call suggests he was unhappy with the returns and was planning to put his money somewhere he hoped it would perform better. And also that his tax situation meant it was a good time for him to cash in. His adviser had been told about the MVR a few weeks earlier and would presumably have taken that into account when recommending Mr B put his money somewhere else.

my final decision

My final decision is that I do not uphold this complaint. I'm satisfied Prudential has already made a reasonable offer to settle this complaint. If he hasn't already had the £300 it offered, Mr B can contact Prudential directly if he now wants to accept it.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 1 September 2015.

Jim Biles
ombudsman

extract from provisional decision:

my provisional findings

To decide what's fair and reasonable in this complaint, I've carefully considered everything Mr B and Prudential have provided. Having done so I don't currently intend to uphold this complaint.

I appreciate Mr B wasn't happy the value of his bond was reduced by a MVR, but it's something the policy conditions allow Prudential to do. I'm satisfied the amount he received was the amount to which he was entitled.

If Prudential's failure to tell Mr B about the MVR led him to cash in when he wouldn't otherwise have done, the way to put things right would be for the bond to be reinstated. To do that, Mr B would need to return the money he received. He says he's not willing to do that because he no longer wishes to deal with Prudential.

I completely agree Mr B should have been told about the MVR when he called to request the bond's cash-in value. The issue I must decide is whether he was disadvantaged by this error. To say that, I'd need to be persuaded that he would have done something else if he'd been told.

I've considered Mr B's comments and listened to a recording of the call to Prudential in December 2013. On balance, I think it's most likely he would have cashed in the bond anyway.

With the benefit of hindsight, it's easy to say now that he wouldn't have cashed in. But during his call to Prudential, Mr B said he was unhappy with the returns and his adviser was recommending something else that would perform much better. He also said his tax situation meant it was a good time for him to cash in. The MVR was actually a very small part of the bond value and I think it's unlikely it would have altered his decision at the time.

Although the MVR wasn't mentioned during the call, this information was provided to his adviser a few weeks earlier. And I think it's reasonable to believe the adviser would have taken that into account when recommending Mr B put his money somewhere else.

In conclusion, I don't currently think Prudential's failure to tell Mr B about the MVR led him to cash in the bond when he wouldn't otherwise have done. But I do believe it would have been upsetting for him to find out about the deduction when he hadn't been expecting it. Prudential has already offered Mr B compensation of £300 for any trouble and upset it caused and I think that offer is fair and reasonable in the circumstances.

my provisional decision

My provisional decision is that I don't currently intend to uphold this complaint. I currently believe Prudential has already made a fair offer. If he hasn't already had the money, Mr B can contact Prudential directly to accept it. If I did think Mr B wouldn't have cashed in, the way to put things right would be for Prudential to reinstate the bond to where it would be if it had continued. To do that, Mr B would need to return the money he received. He says he's not willing to consider that because he no longer wishes to deal with Prudential.