

complaint

Mr and Mrs N complain that The Prudential Assurance Company Limited (The Prudential) delayed in paying out on their mortgage endowment policy at maturity which caused them financial loss.

background

Mr and Mrs N took out a mortgage endowment policy with the Prudential in 1988. This was originally assigned to their mortgage lender. But the mortgage was changed to a different lender in 1990.

When the policy reached maturity in 2013, The Prudential wrote to Mr and Mrs N telling them it would deal with their lender to settle the policy. But because of delays, the proceeds of the policy were only paid out in early 2015. Mr and Mrs N then used this money to pay off part of their mortgage.

Mr and Mrs N complained to The Prudential about the delay. The Prudential upheld Mr and Mrs N's complaint in part. It said it could have chased their original lender about the assignment and that it could have contacted Mr and Mrs N sooner when it didn't hear from the lender. Therefore it offered to pay interest on the maturity value at Bank of England base rate for the period of the delay. In addition, it offered to pay £100 for the inconvenience it had caused them.

Mr and Mrs N didn't feel this was enough so they brought their complaint to this service. Our adjudicator thought the compensation should be increased because she thought Mr and Mrs N had missed out on the opportunity to pay off part of their mortgage sooner. So she said the Prudential should compensate Mr and Mrs N for the additional interest they'd paid on their mortgage because of the delay. She also thought it should pay them £200 for the inconvenience caused. But the business disagreed with this and asked for an ombudsman to review the complaint.

my findings

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint. The Prudential has accepted that it could have done more to chase Mr and Mrs N's original lender and to contact Mr and Mrs N sooner when it didn't hear back from the lender. The question then is what was the consequence of this failure for Mr and Mrs N?

Mr and Mrs N did use the maturity proceeds to pay off their existing mortgage when they received them. It seems that their mortgage was on the standard variable rate over the period 2013-2015 so there would have been no penalties for settling early. Therefore I think it is most likely that Mr and Mrs N would have used the funds to pay off the mortgage if they'd received them on maturity in early 2013.

The Prudential has argued that Mr and Mrs N should have told it they'd changed their mortgage lender. But, although the automated letter mentioned their original mortgage lender, I don't think Mr and Mrs N were given enough information to realise they needed to take action in early 2013. And, according to their original lender, it had informed The Prudential back in 1990 that it was no longer their mortgage provider. Therefore I don't think Mr and Mrs N could have done much more in the circumstances.

For these reasons, I believe that Mr and Mrs N should be compensated for the additional interest they paid on their mortgage from the maturity date to the date of settlement. In addition, I think they should be paid £200 for the inconvenience the Prudential has put them to for sorting this out.

my final decision

For the reasons given above, it is my final decision that this complaint is upheld.

The Prudential Assurance Company Limited should:

- pay Mr and Mrs N interest on the maturity value of their policy from the date of maturity in 2013 to the date of settlement in 2015 at the same rate of interest as their mortgage at the time;
- pay Mr and Mrs N £200 for the inconvenience it's caused them.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr and Mrs N to accept or reject my decision before 16 December 2015.

Susie Alegre
ombudsman