Financial Ombudsman Service

complaint

This complaint involves a Prudential Investment Bond (PIB) that Mrs H took out with The Prudential Assurance Company Limited. Mrs H does not feel that the policy matched her circumstances and needs at the time and as a result was missold to her.

background

Mrs H invested £20,000 into a PIB in 1997. This was invested into the with-profits fund with intended growth by the addition of bonuses. The PIB was set to run for a minimum of ten years.

The adjudicator who investigated the complaint looked at the fact find that was completed at the time of sale. Mrs H was in her late forties and married with no financial dependants. She was employed in a part-time clerical role with an annual salary of around £7,500. She had a joint household income with her husband of over £2,400 per month and a disposable income of around £300 per month.

Mrs H had over £60,000 in deposit based savings and her attitude to risk for lump sum investments was classified as *"3 - cautious"* on a 4 point scale with 4 being *"adventurous".* This stated that she was willing to take a moderate risk with her capital and it was recorded that she intended to invest for a period of ten years. The recommendation, based on these circumstances was to invest £20,000 into the PIB.

The adjudicator looked at the asset makeup of the PIB and noted that it consisted of a spread of assets including equities, fixed interest securities and property. He felt that the with-profits fund was not inconsistent with Mrs H's recorded attitude to risk and that she had the capacity for this level and extent of risk.

The adjudicator was satisfied that the risks of the investment were explained to Mrs H at the time of sale and this was confirmed by Mrs H signing a declaration on the fact find.

Mrs H's representatives felt that Prudential had acknowledged that Mrs H held a "Very Cautious" risk objective, not just "Cautious" but "Very Cautious". They said that a level 3 of 4 would not correlate to "Very Cautious" if level 4 was "Adventurous" and so the risk analysis undertaken was misleading.

Mrs H's representatives also said that a first time investor would not consider the possible application of a market value reduction as an acceptable risk. They have also said that the bond had additional regular payments and a more tax efficient investment could have been recommended.

As agreement has not been reached the complaint has been referred to me for a decision.

my findings

I have considered all the available evidence and arguments to decide what is fair and reasonable in the circumstances of this complaint. Having done so, I have reached the same conclusion as the adjudicator and for essentially the same reasons. I do not uphold this complaint.

The adviser was under a regulatory obligation to assess Mrs H's circumstances and recommend only products which were suitable for her. I am satisfied that the fund recommended was suitable for Mrs H given her recorded attitude to risk. The investment represented around one third of the available capital which does not seem inappropriate given the recorded objectives. I am also satisfied that Mrs H had the capacity to take this level of risk with this proportion of her money.

It may be the case that a more tax efficient recommendation could have been made given the regular premiums paid as well, but that in itself does not mean that this recommendation was unsuitable.

I note what has been said about the potential market value reduction, but I do not think that this factor alone should necessarily mean that this investment was unsuitable for a first time investor like Mrs H. There is no suggestion that she may have had urgent need to access the funds given her other savings and the investment was not the main source of income.

Having considered the evidence, I do not conclude that this investment, into a with-profits fund, was unsuitable for Mrs H given her needs, circumstances and her recorded attitude to risk.

my final decision

I do not uphold this complaint and make no award.

Keith Taylor
ombudsman