

complaint

Mr and Mrs J have complained to The Prudential Assurance Company Limited (“the business”) at the delay in receiving the proceeds of an investment they surrendered in February 2012.

Specifically, they believe that, as the proceeds were paid by cheque, the business should have added interest for the 24 days it took for the cheque to ‘clear’ their account since they gave instructions for the investment to be surrendered.

Additionally, they have requested further compensation for the time spent on the telephone and drafting correspondence to resolve this matter.

In response, the business accepted that payment had been made outside its prescribed turn round time for this transaction of up to five working days and offered Mr and Mrs J a sum of £25 for the delay and the inconvenience this delay may have caused.

background

Mr and Mrs J’s complaint was investigated by one of our adjudicators, who agreed with the business that the sum offered of £25 was fair and reasonable in the circumstances to cover their costs and inconvenience, albeit by adopting a slightly different basis for the calculation of this sum which included consideration of additional interest Mr and Mrs J claimed they incurred for the delay in clearing their credit card balances.

His view was that the business should be accountable for any delay in processing the payment outside its prescribed service agreement, and not for any delays in the postal service or in the surrender cheque being ‘cleared’ through Mr and Mrs J’s bank account.

In response, Mr and Mrs J did not accept the adjudicator’s conclusions and maintained their view that:

- As the surrender proceeds were payable by cheque, the business should be responsible for the time taken for the cheque to ‘clear’ through their bank account;
- The cheque was issued eight days after the business received their instructions to surrender the policy;
- In any event, they cannot see why policy proceeds cannot be transferred electronically;
- The cheque was eventually credited to their account 15 days after their instructions were received by the business and took a further three days to clear. Accordingly, the whole transaction took 24 days to complete and the sum offered by the business in compensation is wholly inadequate in the circumstances;
- Interest should accrue for every day’s delay, and not just working days.

In addition, Mr and Mrs J made a complaint about the operation of the policy and, in particular, the process for the purchase and monthly sale of units within the policy to fund the life cover and critical illness cover costs.

As no agreement has been reached in this complaint, it has been referred to me for review.

findings

I have considered all the available evidence and arguments from the outset, in order to decide what is fair and reasonable in the circumstances of this complaint. Having done so, I find that I agree with the conclusions reached by the adjudicator, and for essentially the same reasons.

I am satisfied that the business would have received Mr and Mrs J's instructions to surrender their policy on 14 February 2012. As the business's service level agreement provides for surrender payments to be processed within three to five *working* days (beginning the working day after it receives instructions), I would expect the surrender cheque to be issued by 21 February 2012, at the latest. In the event, it was issued on 22 February 2012.

I should emphasise that it is not the role of the Financial Ombudsman Service to prescribe specific systems and processes for businesses to adopt in carrying out its financial activities. These matters fall within the remit of the industry regulator, the Financial Conduct Authority.

Therefore, while I do acknowledge Mr and Mrs J's point that payment of the surrender proceeds could have been sent to their bank account by electronic means, I must accept that their policy is administered on the basis that claims payments are made by cheque. This was confirmed in the declaration on the settlement form they signed to surrender the policy in which they agreed that: "*We understand that issue of your crossed cheque shall constitute a full discharge of your liability under this plan.*"

Neither can the business accept responsibility for any subsequent delays in the cheque reaching Mr and Mrs J, or the time taken for it to clear through their bank account.

Therefore, on the understanding that the business processed Mr and Mrs J's instruction one working day outside its normal service standard for this type of transaction, interest calculated at 8% per annum simple (for being deprived of these funds) is £13.59.

I agree with the adjudicator that it is not unreasonable to accept Mr and Mrs J's claim that this delay cost them interest on credit cards balances they were proposing to repay with the policy proceeds, amounting to £2.18 and £3.21 per day.

Accordingly, notwithstanding that Mr and Mrs J say that they incurred costs in 'chasing' payment in February 2012, I am satisfied that the sum offered by the business of £25 is fair and reasonable in the circumstances.

I also note that Mr and Mrs J have complained about the operation of the policy, with particular reference to the method of purchasing units and the funding the costs of life cover and critical illness cover.

My understanding is that the business has addressed these issues in previous correspondence with Mr and Mrs J. However, if they continue to hold these concerns, they should request a further response from the business on this matter.

If, on the other hand, Mr and Mrs J are dissatisfied that the nature and terms of the policy were not satisfactorily explained to them at the point of sale, as the policy was arranged for them by an independent financial adviser (IFA), any such concerns they still have must be put to the IFA in the first instance for a response.

decision

In the meantime, my final decision is that I do not uphold Mr and Mrs J's complaint for further compensation than the sum of £25 offered by business.

Therefore, if Mr and Mrs J accept this decision, I require The Prudential Assurance Company Limited to pay them £25 in settlement of their complaint, if it has not already done so.

Kim Davenport
ombudsman