

complaint

Mrs P is unhappy that a policy she took with The Prudential Assurance Company Limited now won't cover the cost of a funeral, and she feels she was badly advised.

background

In 1966 Mrs P took out a whole of life policy with Prudential. She wanted the policy to pay for her husband's funeral costs, and it would pay out on his death. Mrs P's husband also took out a similar policy at that time, but I'm only considering Mrs P's complaint in this decision.

Mrs P paid a premium of £0.20 every four weeks until 1993, after which Prudential deducted costs from the policy value instead. After adjustments made over the years, such as decimalisation and tax changes, the sum assured by the policy is £161.11 plus bonus additions. The current policy value is £2,108.27 but Mrs P is unhappy because this isn't now enough to cover the costs of a typical funeral.

She complained to Prudential and while it sympathised, it didn't uphold her complaint. It said the policy didn't define the cost of a funeral or guarantee to keep up with inflation. Instead it gave an assured sum plus additional bonuses. It also said that while the policy wouldn't cover the cost of a typical funeral now, Mrs P had seen a significant return on the premiums she'd paid.

Mrs P disagreed so she contacted the ombudsman service. The investigator didn't think Prudential had done anything wrong as she thought the business had made a reasonable recommendation to take the policy based on what Mrs P had wanted it for. And she explained that the sum assured was the only amount the policy guaranteed, that the policy had provided a significant level of growth, and that Prudential wasn't obliged to tell Mrs P the policy wasn't keeping up with inflation.

Mrs P disagreed so it's been passed to me to make a decision.

my findings

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint. I'll look at each of Mrs P's complaint points in turn.

Firstly, Mrs P says she was badly advised when she took the policy out in 1966. At that time, financial advisers weren't required to follow the same rules and regulations as they are today. So they didn't have to record what products they'd recommended and why. But they were required to:

- not mislead customers about the products they were selling
- give advice with reasonable skill and care
- make sure their recommendations were appropriate for the customer

Because there's very little information from the time the policy was sold, I can't say exactly what Mrs P and Prudential talked about. So I've based my decision on what I think is most likely to have happened based on the information I do have. Mrs P has said she wanted a policy to cover her husband's funeral. And the type of policy she got is a reasonable one for that purpose, because it stays in place for the lifetime of the insured and it becomes payable on their death. So for that reason, I don't think Mrs P was badly advised.

Secondly, Mrs P is very unhappy that the current policy value isn't enough to cover her husband's funeral costs, despite this being the reason she took out the policy. I agree that it isn't enough, and I understand why she's unhappy about this. But I've looked carefully at the policy wording and unfortunately it doesn't say anything about covering the cost of a funeral or what such a cost might be. Instead, it guarantees to pay out the sum assured plus additional bonuses based on fund performance. Mrs P could then use this money for funeral costs.

Mrs P has made the point that if her husband had died soon after the policy started, it would've been enough to cover the funeral costs at that time. And I agree - the sum assured probably would've been enough to pay for a funeral in the early years. But for the sum assured to rise with inflation, as funeral costs have done, the policy would need to have been 'index-linked'. But it wasn't. If it had been index-linked, I expect Mrs P would've needed to pay higher premiums over the years. Since Mrs P has paid about £100 in premiums, I think she's had a reasonable return compared to what she's paid.

I know Mrs P will be disappointed but I can't say Prudential has done anything wrong. So I won't be asking it do anything.

my final decision

For the reasons I've explained above, I'm not upholding this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs P to accept or reject my decision before 5 July 2018.

Ailsa Wiltshire
ombudsman