

complaint

Mr B complains about his mortgage endowment policy taken out with The Prudential Assurance Company Limited in 1990.

background

The complaint was considered by one of our adjudicators who didn't uphold it. Mr B didn't agree and so the matter has been passed to me to decide.

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 don't doubt that this is very important for Mr B. But although I've read and considered the whole file I'll keep my comments to what I think is relevant. If I don't comment on any specific point it's not because I've not considered it but because I don't think I need to comment on it in order to reach the right outcome.

The contract entered into by Mr B was that he was guaranteed a certain amount (£10,350) would be paid at maturity plus bonuses and that's what has happened. This would have been set out in the policy schedule sent to Mr B at the time.

Mr B has sent us a brochure saying this shows he was guaranteed to receive the same amount at maturity as would be paid out on his death within the term (in this case £30,000). Mr B says this brochure was in the envelope with his policy documents. Whilst I don't doubt this is what Mr B recalls, I must bear in mind this was 25 years ago and memories fade.

The brochure Mr B has sent us isn't for his policy. It's for a full endowment policy (that is one that's guaranteed to pay out the full amount) whereas he had a low cost endowment policy (so it's only guaranteed to pay out a lesser amount and relies on bonuses to try to reach the target amount). The reason why his is called a low cost policy is because, quite simply, it was a much cheaper alternative to taking a full endowment policy.

Even if the brochure were for his policy it was unlikely to have been sent with the policy documents as it's a marketing brochure and would have been relevant *before* a policy was applied for. The brochure that would have been sent with the policy document would have been the policy terms and conditions, a much more detailed and factual leaflet, rather than a marketing sales pitch.

Mr B's policy would have been described in the policy document (which he's confirmed he received) as being guaranteed to produce £10,350 plus bonuses, with a life cover amount of £30,000.

The policy taken out here is an investment; no more and no less. It is in no one's interest for an investment to perform badly. Mr B and Prudential had a contract. Mr B paid a premium. In return the business provided life cover and invested the rest of the premium (after costs). Although the way with-profit funds are managed is exceptionally complex (that applies to all such funds not just this one) that, at its simplest, is what happens.

It's not easy for a consumer to know how this kind of policy is performing. This isn't helped by the fact the level of bonuses to be paid is at Prudential's discretion. Much has been written over the years about the lack of transparency with such funds over the whole industry. I can't change that, and it's most certainly not one which just affects Prudential. Put simply, Prudential was entitled to rely on its own commercial judgement when making decisions about what bonuses should be added to the policy.

I've carefully considered everything Mr B's told us, and the points he's made about the published investment returns versus the level of bonus added to his policy. But I haven't seen anything to suggest that Prudential has done anything wrong. It's been explained to Mr B about how investment conditions haven't been as expected and how this has affected the policy value. It's also been explained why the investment returns received each year by Prudential aren't the same as those given in bonuses to the policyholders – for instance the cost of life cover, the cost of administering all the policies, the effects of smoothing and general business practice to ensure the smooth and financially safe running of *all* the policies (not just Mr B's).

The performance of Mr B's policy is what it is. The maturity value is the result of a great many decisions made, investment returns, overall business costs and other factors (such as ensuring *all* policyholders are treated fairly). Policies like this are extremely complicated and difficult to understand. That doesn't make the maturity value wrong however.

I don't think that the policy value is anything other than a product of the normal factors that affect such policies. The value of the policy is less than Mr B hoped for. That's unfortunate. However, I've seen nothing to make me think that value is wrong, or is the result of something untoward as Mr B has suggested.

my final decision

My final decision is that I don't uphold this complaint. Under the rules of the Financial Ombudsman Service, I am required to ask Mr B to accept or reject my decision before 9 May 2016.

Julia Chapman
ombudsman