

complaint

Mr and Mrs M complain about a mistake made by the Prudential Assurance Company Limited in a projection letter sent in 2016. They say the letter, which said the policy was on track, was wrong. The business accepts that and has offered redress. However Mr and Mrs M say the offer made by the business in compensation is not enough and should be increased.

background

Mr and Mrs M complained to the business. They asked why the policy matured for some £4,000 less than indicated in a reprojection letter issued a year before maturity. The business agreed it had got the letter wrong. It said the letter, which showed the policy was on track to reach its target amount had been wrongly calculated. The policy matured with a shortfall and was about £4,000 less than indicated in the 2016 letter. The business apologised and offered £490 in compensation.

Mr and Mrs M were unhappy with that and came to us. They said the business had a duty of care to tell them about any possible shortfall as soon as possible. The failure to do that meant they had no time to consider how they were going to meet any shortfall.

The investigator dealing with the case thought the business' offer was fair. She didn't think the business needed to do more. In summary Mr and Mrs M knew the policy's value was variable and subject to performance. They had known from red warning letters issued over many years before that the policy may not meet its target value. Although it was unfortunate that the error had occurred it was no more than that and the offer by the business was fair.

Mr and Mrs M repeated that they had lost as a result and that the business had a "duty" to tell them as soon as a shortfall was likely so they could plan ahead. They didn't think the offer of compensation was enough.

Mr and Mrs M remained unhappy and have asked for an ombudsman's decision. The file has been passed to me.

my findings

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint. Having done that I don't uphold this complaint. To put it another way I think what the business has offered is fair.

This was a simple administrative mistake by the business. It got the figures in a letter wrong. Of course it shouldn't have and it has recognised and apologised for that. The business does not, as far as I am aware, have a duty to tell policyholders about any possible shortfall as soon as possible. It has a duty to carry out the terms of the contract entered into and to follow the law and the regulator's rules and guidelines. Here that means writing to policyholders at least once a year with update letters and projections of the kind received by Mr and Mrs M.

Those letters will inform policyholders of the progress made by the policy and the possible range of outcomes at maturity. It is made very clear indeed that the figures are projections and estimates and are no more or less than that. Providing the business does that, it has done enough.

Of course, it is a reasonable expectation that information provided by the business will be correct. It is clearly not good enough to send out letters with incorrect numbers in them. This is very unfortunate and I can perfectly well understand why Mr and Mrs M are unhappy.

Also it is true that the earlier someone receives a warning of possible shortfalls the better. But I understand for many years before 2016 Mr and Mrs M received “red” warning letters setting out that a shortfall was likely. They therefore knew clearly that it was a possibility. For the policy to suddenly turn round and get back “on track” in one year after such a long period of poor performance would perhaps be surprising. The shortfall wasn’t caused by the errors in the 2016 letter.

In any event, Mr and Mrs M had, an opportunity to take steps during the years before 2016 to plan for a potential shortfall. They could have taken any action they wanted to to provide for a shortfall as they are saying they would have done if the 2016 letter had the right figures in it. It is very difficult for me to see therefore what they have lost as a result of the errors in the 2016 letter.

my final decision

I don’t uphold this complaint. I think what the business has offered is fair. If Mr and Mrs M want to claim the money offered they should contact the business direct. Under the rules of the Financial Ombudsman Service, I’m required to ask Mr and Mrs M to accept or reject my decision before 29 January 2018.

Mike Boyall
ombudsman