DRN-4580437

The complaint

Mr D's complaint is about the maturity value he was paid for a mortgage endowment policy he had with The Prudential Assurance Company Limited. He believes it was less than it should have been and was led to believe it would be.

What happened

Mr D took out his mortgage endowment policy in 2005, it had a term of 18 years and was invested in a managed fund. The policy was set up to transfer the value of the unit holding to a cash fund a month before the end of the term to prevent last minute fluctuations in unit prices affecting the maturity value.

In February 2020 Prudential sent Mr D a maturity pack to allow him to claim the value of the policy at the end of the term – 12 April 2020. Within this it detailed that the estimated value was a little under £180,000, but that the amount was not guaranteed and would be calculated on the maturity date.

On 15 March 2020 Prudential transferred the value of the policy into its cash fund. It wrote to Mr D again on 17 March 2020 to confirm the maturity value of the policy as slightly under £149,000. It confirmed what would happen at the maturity date.

On 12 April 2020 Mr D's policy matured. Prudential paid out the maturity value. It was confirmed in a letter of 16 April 2020 the payment had been made and that it had been calculated based on 40,116.890 units with a bid price of £3.704 being encashed.

Mr D contacted Prudential on 2 February 2021 and asked for the value of the policy on the 12th day of the month from November 2019 to March 2020. He questioned whether he'd received the right amount from his policy. Prudential provided values for these dates on 10 February 2021, along with confirmation of the maturity value.

Mr D wrote back to Prudential and explained that its 10 February 2021 letter had not answered his concerns. He said he needed more than just a surrender value and wanted an explanation of how the value decreased from around £156,000 on 12 March 2020 to less than £149,000 on 12 April 2020. Mr D referenced the FTSE100 scoring for the fund and highlighted that it was higher on 9 and 13 April 2020 than it had been on 12 March 2020. Mr D asked Prudential to explain how the surrender value was calculated.

On 16 March 2021 Prudential wrote to Mr D and explained his policy had been invested in a unit linked fund and there had been no guarantee associated with the maturity value. The value that would be paid was based on the value of the units held on the maturity date. Prudential then went on to explain how generically a surrender value was calculated.

Mr D questioned the maturity value in a letter of 29 March 2021. He explained that it was hard for him to understand how the value of the policy decreased from around £156,000 on 12 March 2020, to just under £149,000 on 12 April 2020.

Prudential wrote to him on 6 May 2021 to explained that his policy had been invested in its managed fund and a month before maturity, it had been moved to a cash fund. It went on to explain that there had been falls in the stock market which the policy was linked to and so had the value of his policy. Prudential enclosed fund performance data.

On 21 July 2021 Mr D wrote to Prudential and again asked it to provide him with the value of his policy on the 12th of each month between December 2019 and March 2020. The information for the first three dates was provided in a letter of 10 August 2021, and Prudential also confirmed the value of the policy on 12 April 2020, based on the unit holding in the cash fund. This April 2020 value was detailed as slightly over £156,000.

On 8 September 2021 Mr D went back to Prudential. He questioned why he had received less than the maturity figure detailed in the 10 August 2021 letter. Prudential responded on 22 September 2021 by saying that the value of the policy had been dependent on the performance of the fund it was invested in. Mr D's question was not answered.

Mr D wrote to Prudential on 8 April 2023 to complain that the maturity value he'd been paid was incorrect.

In May 2023, Prudential wrote to Mr D and confirmed that one month before the maturity the value of the policy was transferred into the cash fund. It said it had given him incorrect information in its letter of 10 August 2021 and provided corrected figures for the dates Mr D had specified he wanted values for. No explanation as to the issue that caused the incorrect values was given.

On 6 July 2023 Prudential responded to the complaint and confirmed that the value of the policy was dependent on the value of units held on the maturity date, and so it could not be guaranteed.

Prudential wrote to Mr D again on 21 July 2023 and upheld a complaint about poor customer service, in that it had not provided information he wanted within a reasonable timescale. It sent him £200 compensation. Prudential also confirmed the information Mr D had wanted had been issued separately. Mr D has confirmed that he has not cashed the compensation cheque.

Mr D wasn't happy with the responses he had received and referred his complaint to this Service.

One of our Investigators considered the complaint and, as he was unable to obtain the information he wanted to clarify the events from Prudential, he ultimately upheld the complaint as it was unclear whether the maturity value paid to Mr D was correct. He recommended that Prudential pay Mr D the difference between the value he received and the policy value for 12 March 2020, plus interest for being deprived of the funds. In addition, the Investigator was satisfied that Prudential had failed throughout to provide the explanations Mr D had requested and to respond to the complaint he had raised. It was recommended that the compensation payment be increased to £400.

Prudential didn't respond to the Investigator's findings and it was decided the complaint should be referred to an Ombudsman for review.

Following reviewing the complaint, I requested some further evidence. Prudential provided evidence from its systems that the value of the policy on 12 March 2020, the day before the terms and conditions stated the policy value would be transferred to the cash fund, was £156,341.61. Prudential also confirmed that the transfer was a system generated process, but no explanation was given for why the system completed the transfer two days later than the terms and conditions required it to happen.

What I've decided – and why

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

It is unfortunate that Mr D's policy matured when it did, as its value was adversely affected by the impact of the Covid-19 pandemic on stock markets. This is not something that Prudential could have predicted or prevented.

However, it would appear that Prudential's system didn't move the value of Mr D's policy into the cash fund when it should have. The purpose of the transfer is to protect the value of the policy from adverse changes in market conditions and give the policyholder some certainty about the amount they will receive so they have the ability to plan for any shortfall. The policy terms and conditions are clear that the transfer will occur one month before the end of the term. The maturity date for the policy was 12 April 2000, so the transfer should have completed on 13 March 2000, but it didn't happen until 15 March 2000. In the two days of delay the value of the policy decreased.

When we award redress for an error made by a financial business, we try to place the consumer in the same financial position as they would have been but for the error. In this case that position would be for Mr D to receive the amount he would have from the policy had it been transferred to the cash fund when it should have been.

I am aware Mr D is unhappy with how his enquiries and subsequent complaint was handled. Our rules set out the matters that we can look at as: regulated activities, payment services, lending money, paying money by plastic card, and ancillary banking services. In addition, we can consider complaints about ancillary activities carried on in connection with the above.

The handling of complaints is not itself a regulated activity. It's something that the regulator requires financial businesses to do. However, that isn't enough to make it a regulated activity within the meaning of the rule; that is, one from the list of activities set out in the legislation from which we derive our powers.

We are able to consider concerns about complaint handling in some limited circumstances, for example, if we're upholding the underlying complaint that a consumer believes was mis-handled. Here, I consider that to be the case and I will be factoring in how Prudential handled the complaint when I consider the matter of compensation for non-financial loss.

Mr D asked for information on several occasions and he was provided with some information. However, he didn't receive the explanations that reasonably Prudential should have understood he was looking for. In addition, when it came to the values he's asked for, some were omitted at times and there was no consistency in the information that was provided. It is clear that this increased Mr D's level of worry about whether he'd received the amount he should have, and Prudential didn't do anything to resolve those concerns. As such, I am in agreement with our Investigator that the amount of compensation Prudential needs to pay should increase to £400.

Putting things right

Prudential should pay Mr D:

- The difference between the amount he received of £148,944.13 and that which he should have received. The latter figure should be based on the figure Prudential has recently provided evidence from its systems supporting the figure being correct - £156,341.61. Interest* should be added to this sum from the date of maturity to the date of settlement.
- £400 compensation for the inconvenience and upset its handling of his enquiries and complaint caused him.

*Interest is at a rate of 8% simple per year and paid on the amount specified and from/to the dates stated. If The Prudential Assurance Company Limited considers that it's required by HM Revenue & Customs to deduct income tax from any interest due to Mr D it should tell him how much it's taken off. It should also give Mr D documentation showing this if he asks for it, so he can reclaim the tax from HM Revenue & Customs if appropriate.

My final decision

My final decision is that I uphold this complaint. In full and final settlement of the complaint, The Prudential Assurance Company Limited should pay Mr D the sums detailed in 'putting things right' above.

Under the rules of the Financial Ombudsman Service, I am required to ask Mr D to accept or reject my decision before 24 May 2024.
Derry Baxter
Ombudsman