DRN-4642601

The complaint

Mr E and Mrs E complained about The Prudential Assurance Company Limited ("Prudential"). They said it paid a lower amount to them when they encashed their with profits endowment policy than they were told they would receive by Prudential previously.

Mr E and Mrs E said Prudential needs to put things right and pay the maturity value that it had told them previously they were due to receive.

What happened

Mr E and Mrs E held a with profits endowment policy with Prudential. The policy matured in 2010 but they held it for a number of years after the maturity date. They decided to encash it in 2022. They said when they did, Prudential said it had made a mistake and rather than the policy having a maturity value of £48070.40 as it had described in statements and letters previously, it had calculated Mr E and Mrs E were due £34,000.05 instead.

Mr E and Mrs E were unhappy about this and said Prudential needed to pay the maturity value that it had previously communicated to them on several occasions. They said they had received letters and statements that showed the maturity value of the policy was £48,070.40 leaving a difference of £14,070.35. They complained to Prudential about this.

Prudential said in response that the maturity value quoted in its previous correspondence was incorrect. It said sorry for quoting an incorrect maturity value and the inconvenience it had caused.

Prudential said it had calculated that the maturity value was actually £34,000.05. It had also calculated an interest payment of £1624.86 making a total of £35,624.91. The interest payment was for the period of time between the maturity date in 2010 and the date that Prudential paid the maturity value to Mr E and Mrs E.

There was an exchange between the parties in 2022 and 2023 and during this time Prudential made a number of offers of compensation. On 20 July 2022 it said it would pay £175 compensation in recognition of the poor service Mr E and Mrs E received. On 13 December 2022 it said it would pay £25 to cover phone calls made. It then agreed it would also pay £2000 compensation overall for distress and inconvenience it caused Mr E and Mrs E. It then offered to pay £196.74 in further interest due to the delay in it paying the settlement to Mr E and Mrs E. Finally on 26 May 2023, it offered to pay a further £200 for continued poor service.

Mr E and Mrs E were not happy with Prudential's response and referred their complaint to our service. They said they wanted Prudential to pay £14,070.35 being the difference between what they received in settlement and what Prudential said they would receive in previous correspondence.

An investigator looked into Mr E and Mrs E's complaint. He said he didn't think Prudential needed to take any further action, above and beyond what it had already done. He concluded he didn't think it would be fair to ask Prudential to pay the difference between the correct and incorrect maturity value provided by Prudential. He said Prudential had calculated the revised figure based on what Mr E and Mrs E had paid into the policy and the bonuses they had received, so this was the amount that was owed to them, not the incorrect figure. He obtained further information from Prudential about the mistakes it had made and then explained to Mr E and Mrs E what these where. He concluded the compensation offer provided by Prudential was fair in the circumstances and explained why he thought felt this was the case.

Mr E and Mrs E were not in agreement with the investigator's view. They said neither they or our service have any independent means of verifying Prudential's assertion that an error was made, when this happened or how it came about. They said they cannot possibly have been the only ones affected by Prudential's mistakes or its faulty system. The said Prudential must surely have known about the system failure for years and at least from 2010. If so, they said, they were bound by good practice and regulatory rules to inform them of the error and potential shortfall sooner.

The parties have not reached an agreement. So as this is the case, Mr E and Mrs E's complaint has been passed to me, an ombudsman, to look into.

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.

I have independently reviewed Mr E and Mrs E's complaint and having done so I have arrived at the same outcome as the investigator, for broadly the same reasons. I am not upholding Mr E and Mrs E's complaint and I will explain why.

First of all, I can see that Mr E and Mrs E have made a few comments about what they think are wider issues with Prudential and its customers. They said they can't have been the only ones to have been affected by Prudential's errors in how it calculated and then made continuous mistakes in communicating the maturity value of their policy.

I acknowledge Mr E and Mrs E's comments. That being said, my role is to look into the individual circumstances of their complaint about Prudential. I haven't made any comments or findings about Prudential or their customers in general, other than what has happened between it and Mr E and Mrs E as it's not within my remit to do so. Instead, I have looked into whether Prudential calculated and paid the correct amount to Mr E and Mrs E or not, when they encashed their policy. I have then gone on to consider whether they have received fair compensation, for the mistakes Prudential has made.

Did Prudential calculate and pay the correct the maturity value for Mr E and Mrs E's with profits endowment policy?

Prudential said it made mistakes and provided to Mr E and Mrs E an incorrect maturity value in several letters and statements. It said it had been incorrectly providing the wrong amount as far back as 2005.

Prudential has explained to our service that in 2003, Mr E and Mrs E's policy lapsed due to non-payment of premiums and that as a concession it agreed to change the policy to being paid up. It said the last premium paid by Mr E and Mrs E was in December 2003. It said from this point onwards there had been an alteration to the policy, and it should have calculated what the revised value was before quoting it in correspondence to Mr E and Mrs E, but it didn't. It said they were receiving information about the maturity value, as if they had continued to pay the premiums up to maturity, something which they didn't do.

Mr E and Mrs E on the other hand have argued that I nor they have any way to independently verify this assertion from Prudential, that an error was made or how it came about.

I understand what Mr E and Mrs E are saying here. That being said, the purpose and aims of the Financial Ombudsman Service and my role is such that in the absence of absolute proof or verification, I can make findings on the balance of probabilities based on what I have in front of me, and the information gathered. I can look at what has been provided and consider what more likely than not has happened here.

Having done that, on balance, I am persuaded by Prudential's explanation. It is not in dispute by the parties that the policy was paid up, with the last premium being paid in December 2003. So, at this point, the policy would have needed to have been recalculated with an altered maturity value, based on no further premiums being paid.

Prudential has admitted that it then made a series of errors culminating in Mr E and Mrs E receiving incorrect information on many occasions including statements in 2007 onwards and numerous letters. Within the statements and letters, Prudential provided incorrect information about the policy. It has admitted it has done this.

Prudential has also explained how it has arrived at its revised calculation of Mr E and Mrs E's policy maturity value and this has been endorsed by its actuaries. Again, I acknowledge Mr E and Mrs E's comments about how I can't know for sure what exactly the calculation should be. But on balance, based on Prudential's explanation of why the policy maturity value needed to be recalculated, when it made the mistake and the breakdown that it has shared as to how it arrived at the figure, I think on balance, it has calculated the correct amount. I am persuaded by the explanation provided by Prudential as to how it has calculated the maturity value of Mr E and Mrs E's policy.

I think, it is more likely than not, Prudential made a mistake in 2005 and didn't revise the maturity value of Mr E and Mrs E's policy and this led to them receiving incorrect information about their policy that continued for many years.

In conclusion, I am persuaded based on what I have found, that Prudential did pay the correct amount of £34,000.05 to Mr E and Mrs E regarding the maturity value of their with profits endowment policy but it also made several mistakes that caused them a significant amount of distress and inconvenience. So, I have gone on to consider this and whether Prudential's offer of compensation is fair and reasonable or not.

Is Prudential's offer of compensation fair and reasonable?

I have concluded on balance, that the amount calculated and paid to Mr E and Mrs E was correct and reflective of the actual value of their policy. But even though I think that was the case, Prudential still made significant mistakes in the way it administered Mr E and Mrs E's policy, how it dealt with their complaint and the actions it took or didn't take along the way.

Prudential has admitted it made several mistakes and has paid compensation to Mr E and Mrs E for this and it has said sorry. I have looked into whether its offer and payment of compensation is fair and reasonable or not.

Mr E and Mrs E have been clear. They want Prudential to pay the difference between the amount Prudential told them the policy was worth, and the amount they have received already, plus interest. They would like Prudential to pay £14070.35, this being the difference between the two amounts.

I don't think this would be a fair and reasonable resolution to Mr E and Mrs E's complaint though. This is because, I have made a finding that their policy more likely than not was actually worth £34000.05 and not £48070.40. Instead, Prudential made a series of errors over many years, in communicating incorrect information about their policy to them. Ultimately, Mr E and Mrs E's policy has on balance, never been worth £48070.40 and so they are not owed this money. So, I am not going to ask Prudential to do this.

Prudential has made an offer and paid compensation to Mr E and Mrs E. It has offered and paid £196.74 in interest for the delay it took in paying the maturity value of the policy to them along with £25 for the cost of telephone calls. It has also paid a combined amount of £2375 (£175, £2000, and £200) compensation for distress and inconvenience caused. I have considered this and thought about whether this is a fair and reasonable amount or not.

Prudential's mistakes in dealing with Mr E and Mrs E's policy have been significant and have without question caused them considerable distress and inconvenience. Mr E and Mrs E have had to deal with the distress of being told that their policy was worth a lot less than they had been informed by Prudential it was worth. They have then had to process the fact that Prudential had continued to make a series of errors over many years, and that it had communicated the wrong information about the policy value in letters and statements.

Mr E and Mrs E would have felt they could have relied upon the maturity value of the policy and so to not be able to do so I think would have caused considerable distress and inconvenience. In addition, they have catalogued a series of examples of poor service from Prudential, when they have looked to resolve matters. They have not had correspondence replied to and have had call backs arranged but not made. At one point I can see that Prudential left a message on an incorrect number. Overall, Prudential are responsible for many errors that I think merits the offer of compensation that it has provided. I think its offer is fair and reasonable in the circumstances. I understand it has already paid compensation to Mr E and Mrs E, so I don't require it to do anything further.

I appreciate that my decision will be disappointing for Mr E and Mrs E, as I know they wanted Prudential to honour paying the maturity value it had been communicating to them in letters and statements. I acknowledge the strength of their feelings on this matter in the submissions they have provided. But based on everything I have read and the findings I have given, I don't uphold their complaint and don't require Prudential to do anything more, than it has already done, to put things right.

My final decision

My final decision is that I do not uphold Mr E and Mrs E's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr E and Mrs E to accept or reject my decision before 9 April 2024.

Mark Richardson
Ombudsman