

The complaint

Mrs D complains the maturity value of her with-profits endowment policy with The Prudential Assurance Company Limited was below what she had been led to expect, and that management fees had been hidden.

What happened

Prudential provided an estimated maturity value for Mrs D's policy in February 2023. In late March, Prudential sent Mrs D a letter confirming the final maturity value of the policy. This was less than it had estimated. Mrs D complained to Prudential and said it had hidden management fees from her. Prudential explained the final value wasn't guaranteed and that annual statements included details of the specific charges deducted from the with-profits fund. Prudential didn't uphold the complaint.

Mrs D brought the complaint to the Financial Ombudsman Service. One of our Investigators looked into things and thought Prudential had made it clear the final value of the policy wasn't guaranteed. The Investigator thought management charges and other charges had been clearly explained in the regular statements. Mrs D asked that an Ombudsman decides the complaint.

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.

Mrs D has raised a separate complaint about the maturity date Prudential used to calculate the final value of her policy, so I'm not able to address or comment on this issue in my final decision below. In respect of the complaint I can consider, I understand Mrs D will be disappointed, but for very much the same reasons as our Investigator I've decided not to uphold this complaint. I will now explain why.

The crux of this complaint is that Mrs D is unhappy the maturity value of her Prudential policy was less than estimated, and that Prudential hid charges it had applied to the policy. I've taken into account the terms and conditions of the policy, the annual statements Prudential provided to Mrs D, the estimate letter Prudential sent to Mrs D and the final maturity letter. I've also taken into account the Financial Conduct Authority's Principles of Business Handbook and the Conduct of Business Sourcebook ('COBS') as these documents set out the standards expected of a regulated business when communicating with consumers.

I would expect Prudential to provide information that is clear, fair, and not misleading. The letter Prudential sent Mrs D in February explained what the maturity value of the policy was estimated to be on 1 April. The letter also explained that final bonuses were regularly reviewed. Prudential had previously provided annual statements to Mrs D that also explained any final bonus is not guaranteed and may be altered or suspended without notice. The statements explained any final bonus may go down as well as up and bonus rates may be reduced subject to the performance of Prudential's with-profit fund.

Prudential says the reason for the difference between the estimated maturity value and the actual maturity value was a small decrease in final bonus rates when compared to the final bonus rates declared the previous year. Prudential says this was because 2022 was extremely challenging for investment markets and the final bonuses reflect the actual performance of the with-profits fund in 2022 after allowance for charges, smoothing and annual bonuses.

I can understand Mrs D has been left feeling disappointed with the final maturity value, but I don't think Prudential misled her in this regard. Prudential made it clear the estimated maturity wasn't guaranteed when it wrote to her in February. In addition, I'm persuaded the annual statements Prudential sent Mrs D also explained the final value of the policy wasn't guaranteed as a large part of the value of the maturity would depend on the performance of the with-profit fund.

In respect of charges relating to the policy, the annual statements provided by Prudential gave details of the annual management costs for the policy along with details of other costs that were payable. For example, in the 2021 annual statement, Prudential said its annual management charge for Mrs D's policy was £3.40 in respect of marketing, administration and fund management. Prudential also explained this charge wasn't explicit but that it had been deducted from the underlying with-profits fund. In other words, whilst it didn't appear on Mrs D's annual statement as a separate item, it had been deducted from the bonus Prudential paid from the with-profits fund.

Similarly, Prudential explained that in the same annual statement other costs - such as maintenance costs for property investments and costs associated in investing in other infrastructure - had also been deducted from the bonus Prudential paid from the with-profits fund. Prudential made it clear in the statement that it had calculated this cost as £76.15.

I've not seen any evidence to persuade me Prudential deducted any further explicit costs from the maturity value of the policy. So, I've decided not to uphold Mrs D's complaint that Prudential hid charges from her at this time.

My final decision

For the reasons above, I've decided that The Prudential Assurance Company Limited hasn't done anything significantly wrong.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs D to accept or reject my decision before 6 August 2024.

Paul Lawton
Ombudsman