

## moneyendowments



# Endowment mis-selling: Should you go it alone?

## YES says the man from the Pru

**INSURANCE** giants Prudential are to stop paying customer compensation to third-party complaint firms involved in claims of endowment mis-selling.

Prudential revealed that they have paid complaint handlers just under £500,000 last year alone.

The company have written to third-party complaints companies informing them that all payments due as a result of settling endowment complaints will be made straight to the customer.

Prudential's figures show that they paid £1.7million in the past 12 months to customers who used third-party firms to handle their endowment mis-selling complaint. The average commission charged for such complaints was 25 per cent.

Mark Wood, Prudential UK and Europe chief executive, said: "We have no axe to grind with third-party endowment complaint handlers. We are not telling our customers not to pay third parties nor are we telling them not to use such firms.

"We are concerned that some customers may not know that they have the option of dealing with us directly and that this will cost them nothing. If a customer has been mis-sold an endowment then they are entitled to compensation and we firmly believe they should receive 100 per cent of the compensation."

Research by Prudential shows around 2.4 million people are currently

relying on an endowment to pay off their mortgage out of the near 5.2 million who claim to have one linked to their current home loan.

Scots are the most likely to have endowments with 42 per cent paying into the savings schemes. Homeowners in Wales and the west are the most likely to be relying on it to clear their mortgage with 68 per cent saying they are still reliant on the endowment.

The company said that where Prudential are currently dealing with complaints received via third parties, the compensation will still be paid directly to the customer, who will then have to pay the company for their services.

Pru will also write to any new complainants using a third party, to tell them that they can complain direct themselves – thereby benefiting from the full compensation without having to first give up a chunk of commission to another company.

Mr Wood said: "At the end of the day, this compensation is calculated to put the customer back into the position they would have been in if they had taken out a repayment mortgage."

Prudential will investigate any endowment mis-selling compensation complaint free of charge and any Prudential customers with a complaint about their endowment should contact either the financial adviser who recommended it or Prudential on 0800 000 000.

The Financial Services Authority consumer helpline on 0845 606 1234 can help you trace the financial adviser.

## NO says the boss of ECC

**GERRY Diamond, managing director of the Endowment Compensation Centre, says: "It may sound surprising but in many ways we welcome the Pru's announcement."**

"Insurance companies have been dragging their heels regarding the issue of mis-sold endowment policies and, in many cases, seemed to be avoiding paying out the compensation they should."

"The Pru have stated they are concerned customers may not know they can deal with the firm directly. In that case, surely they should have acted before now to make sure that their policyholders knew their rights."

"There has been anecdotal evidence that some insurance companies were routinely rejecting complaints without proper investigation or having investigated, unfairly found against the client."

"Already several high-profile firms have been heavily fined and censured for their actions – and inactions – in this debacle."

"It would be too cynical to suggest these firms relied on the statistic that 75 per cent of first-time complainants were so deterred they did not further their complaint to the Financial Ombudsman."

"This is the background which gave rise to companies such as ours."

"The Endowment Compensation Centre (ECC) was set up 18 months ago – almost two years after the horror of mis-sold endowment policies and the resultant mortgage shortfalls first came to light. It was born from an Independent

Financial Advisers' firm that had a sound knowledge of the mis-selling issues and were ideally placed to help."

"We obtain compensation for clients who tell us they would not have managed without our help. We have no problem with compensation being paid straight to the homeowner as we always have a contract between our clients and ourselves."

"Only six per cent of the five million householders affected have complained and given that the Treasury Select Committee approximated as many as 60 per cent may have been mis-sold, it is clear the complaint process is needlessly over complicated and mistrusted by prospective complainants."

"The Pru claim there is no advantage to using a firm like ours. However, statistically only four out of 10 direct complaints are successful. We succeed in eight out of 10, and the majority of rejections that we refer to the Financial Ombudsman Service are also upheld."

"The Ombudsman have publicly stated as many as 80 per cent of cases rejected by some insurance companies should have been upheld."

"We encourage people to claim direct if they so wish and assess each complaint by telephone before sending a documentation pack which informs the client of our charge for the service – 23.5 per cent including VAT."

"The most common feedback we hear is 'It's much better to have 80 per cent of something than 100 per cent of nothing'."

"We are a business and we are good at what we do."