

The complaint

Mr P complains on behalf of his wife, Mrs P, that Prudential Assurance Company Limited (Prudential) mis-sold her an annuity. Mr P thinks Mrs P suffered a financial loss as a result.

What happened

Mrs P had a freestanding additional voluntary contributions plan (FSAVC) with Prudential, which ran alongside her main occupational pension. In 2008, when she was approaching her retirement age, Prudential sent Mrs P information about her retirement options. She eventually bought a standard annuity from Prudential.

Prudential wrote to Mrs P in April 2019 telling her that it was reviewing the sale of certain non-advised annuities in line with a previous review conducted by the Financial Conduct Authority (FCA). Prudential asked Mrs P to complete a health and lifestyle questionnaire. Mrs P did that and told Prudential about her health conditions, the first of which was diagnosed around 2005/06. She also indicated on the questionnaire that she wasn't aware she could potentially have received a higher income from an enhanced annuity if she had certain lifestyle or medical conditions.

In July 2019 – on completion of its review - Prudential wrote to Mrs P. It apologised that she wasn't given enough information about enhanced annuities when the plan was set up and that she didn't know she could shop around on the open market and potentially achieve a higher income. However, Prudential said it was satisfied Mrs P hadn't suffered a financial loss and included the figures compared when reaching that conclusion along with an explanation of some of the terms used. In explaining its decision, Prudential told Mrs P it had specifically taken account of the health information she'd provided. But it said it transpired she was receiving more (a difference of £55.86 a year) than she was likely to have done had she shopped around in 2008.

Mrs P wasn't happy with Prudential's response, so she complained. Prudential responded in September 2019 and said it was satisfied the outcome of its review (using a calculator developed by FCA appointed actuaries) was the right one. It also explained it had taken account of the medical conditions diagnosed before Mrs P took out the annuity to check if they would have made a difference.

Mr P complained to us on his wife's behalf. Amongst other things he said Prudential had already recognised Mrs P didn't know she could shop around. And he said he couldn't understand why the annuity hadn't increased once the medical conditions were taken into account – particularly as in other similar cases reported in the press there had been an increase in the annuity. He also said the limited information he'd received made it difficult to compare the amount Mrs P was receiving with other annuities offered at the time.

Our investigator looked into the complaint and didn't feel that Prudential had done anything wrong. She was satisfied Prudential had correctly reviewed the circumstances leading to the sale of the annuity to check if Mrs P suffered a financial loss. Mr P disagreed on his wife's behalf, so the complaint has been passed to me to decide.

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.

Prudential accepts that it didn't give Mrs P enough information when it sold her the annuity. So, I think the key issue to determine here is whether that led to Mrs P suffering a financial loss.

It's not for me to substitute my own calculations for Prudential's. But I've looked at the action it took to review the annuity to consider whether that was reasonable. From the evidence I've seen, I'm satisfied Prudential took account of the information Mrs P gave on her medical and lifestyle questionnaire. And whilst I fully appreciate Mr P's position that he expected his wife's annuity to increase once her medical conditions were taken into account, I've seen nothing to suggest that the reason it didn't was because Prudential did something wrong or acted unfairly towards Mrs P. Nor has Mr P indicated that there was a mistake in the information Prudential took account of.

In its complaint response, Prudential explained it had used a calculator developed by FCA appointed actuaries using *'underlying data, analyses and validation...including 'historical information relating to numerous annuity providers to enable a comparison to be made between what annuity income you have received from Prudential with the rest of the market'*. And it said that having done its calculation, it transpired the rate it offered Mrs P in 2008 was competitive. Prudential didn't think Mrs P had suffered a financial loss, as she was receiving more than she might otherwise have done.

It is correct that the regulator provided firms with a redress methodology that they should use in these cases so that consumers were compensated consistently. And I've seen evidence that such a calculator was used. Comparing what a customer was likely to receive on average on the open market taking into account their particular medical history and lifestyle is a similar approach to the one we would take if a complaint was brought to us. We wouldn't expect a business to find the most competitive rate that was available on the market, as it's unreasonable to assume every customer would have always found the very best rate even if they had been given all of the necessary information.

It's also worth noting that every provider can decide what conditions or lifestyle factors they want to offer an enhancement for and how much. Some providers might also have minimum pension fund requirements before they offer enhanced rates. It's also not uncommon that standard rates from some providers offer a higher income than many enhanced rates. So, having a medical condition does not always mean a higher income can automatically be obtained.

For all of the reasons outlined, I don't think Prudential Assurance Company Limited did anything wrong or acted unfairly when reviewing Mrs P's annuity sale. So, I won't be asking it to do anything more.

My final decision

I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs P (or Mr P on her behalf) to accept or reject my decision before 9 February 2021.

Amanda Scott
Ombudsman

