

The complaint

Ms L has complained that The Prudential Assurance Company Limited (Prudential) won't allow her to cash in her annuity and take the cash as a lump sum payment.

What happened

Ms L took out her annuity in 2002. It was set up to pay her just over £330 per year for the rest of her life. She also took the tax-free lump sum amount she was entitled to when she set this up which amounted to just under £2,000.

In June 2019, Ms L found herself and her husband in severe financial difficulties due to ill health and an inability to work, so she approached Prudential to ask if she could cash in the annuity and just take it as one lump sum of cash. As well as her financial situation she also explained that her regular annuity payments put her above the threshold for receiving government benefits which added to her difficult financial situation.

Prudential looked into the matter but was unable to allow Ms L to cash the annuity in because the terms and conditions of her annuity contract didn't allow for this. Unhappy with this response Ms L brought her complaint to this Service where it was assessed by one of our investigators. He agreed with Prudential that the terms and conditions of the contract specified that because the annuity was a lifetime promise it couldn't be cashed in once it had started.

As Ms L remained unhappy with the assessment and no agreement could be reached, 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. Having done so, I don't think the complaint should be upheld.

I fully appreciate Ms L is in a very difficult position financially. But the role of this Service is to identify if a business had made an error or if it has acted unfairly or unreasonably causing some element of detriment to a consumer. If this is the case, I am able to compel that business to take action to resolve the problem.

In this complaint, however, Prudential is acting in line with its terms and conditions by refusing to allow Ms L to cash in her annuity. So, I don't think any error has been made. I know Ms L will be of the view that Prudential is acting unreasonably by adhering to these terms and conditions, but I don't think it is. This specific term of the contract that binds both parties seems entirely reasonable to me and not an unfair or onerous one.

I appreciate that legislation does allow annuities to be paid as a lump sum in certain circumstances, but this doesn't mean Prudential *has* to do this if it has made a business decision to not allow such action and this has been made clear to its customers at the outset of the contract. Having looked at the terms and conditions of Ms L's annuity contract from

2002 I am satisfied this is the case. It's reasonable that Ms L should have been aware that she couldn't cash in her annuity at any point. While I appreciate she may have felt there was no harm in asking, when Prudential refused to allow her to do this it wasn't acting unreasonably nor did it make an error.

Overall, I would expect any business to act in line with the terms that bind it (providing those terms are not unreasonable or unfair) and this is what Prudential has done here. I therefore don't think Prudential has done anything wrong. And while I know this will be very disappointing for Ms L I can't ask it to do anything further.

My final decision

My final decision is that I don't uphold this complaint and I make no award.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms L to accept or reject my decision before 1 May 2020.

Ayshea Khan
Ombudsman