

## The complaint

Mrs H complains that The Prudential Assurance Company Limited won't allow her to cash in her annuity for a lump sum.

The details of this complaint are well known to both parties so I won't repeat them again here. Instead I'll focus on giving the reasons for my decision.

## My findings

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

At the time Mrs H took out her annuity, she didn't have the option to take it all as a lump sum. Her options were restricted to the legislation present at the time.

Since then legislation around annuities has changed over the years. And due to the pension freedoms legislation, providers can now offer customers the opportunity to take the whole fund as a lump sum rather than taking an annuity. But this did not stretch to annuities already in payment.

The government did also consider introducing a secondary annuity market at one point. But, after consultation, this proposal didn't proceed, this was largely because of concerns that it wouldn't be in consumer's best interest to cash in annuities. And the complexities around valuing this and whether this would provide fair value to customers.

So current legislation generally does not allow a customer to cash in an annuity and take a lump sum payment. However, in instances where the value of that annuity is less than £10,000, it can be cashed in if the provider chooses to offer this. Prudential has said it has chosen not to offer this option to its customers.

I notice Prudential didn't directly refer to Mrs H's annuity or its value and just explained its general stance. But in any event, I don't think Mrs H's annuity could be paid as a lump sum to her even if Prudential did offer this. I say this because the likely value of Mrs H's annuity exceeds £10,000.

Mrs H has looked at the value of her pot when the annuity commenced and deducted what she's received so far to come to a figure just below £10,000. But the valuation of her annuity is not that simple. Mrs M has a dependant's pension and a five year guarantee attached to her annuity. This makes her annuity more expensive to provide. If Mrs H now at her current age tried to buy an annuity of over a £1,000 a year with a five year guarantee and a 50% dependant's pension, I think it would cost well in excess of £10,000.

Mrs H argues that Prudential is treating her unfairly and being obstructive in not allowing her to cash in her annuity. But even taking aside the potential value of Mrs H's annuity, when

Prudential set up Mrs H annuity it entered into an agreement to pay her an annuity for life. And Prudential made clear at the time that this could not be cashed in once set up. So I don't think Prudential is treating Mrs H unfairly, it is administering the annuity in line with the lifetime contract agreed at the time.

I appreciate that it's frustrating for Mrs H that the legislation has since changed. And had she taken her benefits later she would've had more flexibility around her choices. But this isn't something I can hold Prudential responsible for. The pension freedoms legislation was not retrospective and the secondary annuity market proposal was shelved by the government.

Mrs H has also raised points regarding the sale of the initial policy and her choices when she came to take her benefits. If Mrs H has concerns about the initial pension policy sale and the annuity purchase, she needs to raise this separately first with Prudential.

In conclusion, I can understand Mrs H's frustrations but I won't be upholding this complaint.

### **My decision**

For the reasons explained above, I do not uphold Mrs H's complaint and make no award.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs H to accept or reject my decision before 15July2020.

Simon Hollingshead  
**Ombudsman**