

## **The complaint**

Mrs A complains she was mis-sold a personal pension by The Prudential Assurance Company Limited.

## **What happened**

In August 1988, Mrs A met with an adviser from Prudential who advised her to contract out of State Earnings Related Pension Scheme (“SERPS”) and contribute towards a personal pension instead. Mrs A completed a ‘Personal Financial Review’ form, pension application form and an ‘Application for Membership and Proposal’ for Benefits form at the time.

The application forms showed Mrs A:

- was in her mid twenties, single and living with parents;
- was employed, earning around £5,000 per year, with no access to a workplace pension scheme and no other pension arrangements;
- had around £1,000 in savings; and
- was a ‘member of ‘SERPS’

Mrs A said the adviser came to her parent’s house and pressurised her into signing the paperwork to take out the personal pensions. She said the adviser refused to leave the house until she signed up for the policy.

Mrs A appeared to accept the adviser’s recommendation and her new personal pension started in December 1988.

Mrs A says she was mis-sold the policy because of her circumstances at the time. She said she became aware she had cause for complaint because of the recent media attention on mis-sold pensions.

Mrs A said she stopped paying into the policy in 1993 and opted back into the State scheme in 2006.

Mrs A complained to the Prudential who did not uphold her complaint. So, then complained to our service. Our investigator looked into Mrs A’s complaint and didn’t uphold it, concluding that the advice the Prudential gave Mrs A at the time didn’t appear unsuitable in her particular circumstances. Our investigator said she had not seen anything to show that Mrs A was forced into signing the paperwork at the time.

The investigator explained that, at the time of advice, consumers in employment who weren’t contracted-out through an employer’s pension scheme, could do so on an individual basis, and that contracting-out was an on- going choice. She pointed out that the government had decided to allow individuals to contract-out of SERPS and offered incentives to encourage them to do so. However, it gave no advice as to who it was expected would benefit from contracting out. So, the actuaries at various pension providers – such as the Prudential – carried out comparisons of the projected benefits from SERPS, with those from an alternative personal pension arrangement.

These calculations were based on what were felt to be conservative assumptions of likely future investment returns at the time. The rebates paid by the Government were set in such a way that it was more attractive for younger people to contract-out than those who were older. So, age was a pivotal consideration when deciding whether to contract-out or not. There was also a lower earnings limit which was used to determine whether an applicant's earnings would be enough to benefit from contracting out.

Looking at Mrs A's age at the time of advice, the fact that her earnings met the minimum salary limit and she did not have access to a workplace pension, our investigator concluded that it didn't seem inappropriate, at that time, to conclude that contracting-out may be beneficial for her. But, the pension illustration Mrs A was given in September 1988, did say that there was no guarantee that she would end up better off.

Mrs A didn't accept our investigator's view and asked for her case to be referred to an ombudsman. She referred us to a press article showing that a penalty had been imposed on the Prudential for mis-selling pension arrangements. Our investigator pointed out that this related to the sale of annuities, and not to contracting out of SERPS.

As agreement couldn't be reached Mrs A's complaint comes 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 agree with the conclusions reached by our investigator and for much the same reasons. I am therefore not upholding Mrs A's complaint.

Looking at Mrs A's circumstances at the time of sale, including her age, the amount she was earning and that she didn't have access to a workplace pension, I can't see that the advice she was given to contract out of SERPS was inappropriate in her individual circumstances. Mrs A may not have benefitted from this recommendation and the decision to contract out of SERPS, but this can't have been known at the time, and I can only take into consideration factors that were known or were reasonably foreseeable at the time.

Like our investigator, I can't see anything to show that Mrs A was pressurised into taking out the policy. Mrs A met with the adviser in August and the policy didn't start until some months later, in December 1988. If she was pressurised in the way she describes, I think she would've likely cancelled the policy once the adviser was no longer at her house. So, I think it more likely that she decided to accept the adviser's recommendation.

The press article Mrs A has referred us to, as our investigator explained, is about a different situation. So, this doesn't change my view.

Kim Parsons  
**Ombudsman**