

The complaint

Mr E and Mrs G complain, as executors of the estate of the late Mrs E, that The Prudential Assurance Company Limited failed to provide Mrs E with sufficient information about the annuities she should could purchase when she retired in 1997. In particular they complain that Prudential didn't tell Mrs E that she might be able to receive an enhanced annuity from another provider due to issues with her health.

What happened

Mrs E was a member of an occupational pension scheme. She made additional voluntary contributions (AVCs) to enhance her pension benefits. These AVCs were paid into a scheme that was administered by Prudential. The benefits arising from the AVCs needed to be taken as the same time as the occupational scheme pension was put into payment.

In 1997 Mrs E's occupational pension scheme told Prudential that it had agreed to her retiring early. Prudential doesn't have any records to indicate that it was advised of the reason the early retirement had been granted. In October 1997 Prudential sent Mrs E a "retirement options pack". As part of that pack it explained that she could either take an annuity from Prudential, and the value of that annuity, or that she could transfer her pension savings to an alternative provider and take an annuity from that firm instead.

Mrs E sadly died in 2019. Around that time Mr E and Mrs G had become aware that the regulator had asked Prudential to review some of the annuities it had sold to check whether the advice and information it had given to its policyholders was fair. Mr E asked Prudential whether Mrs E's pension was included in the review.

Prudential explained that Mrs E's pension was taken in 1997, whereas the review only looked at pensions taken since 2008. It also noted that it hadn't provided Mrs E with any advice about the pension benefits due to her – it had only provided the information it was required to at the time. It also confirmed it hadn't had any telephone contact with Mrs E before she took her benefits. So it didn't think the complaint should be upheld.

The complaint has been assessed by one of our investigators. She thought that what Prudential had done at the time the pension was taken was in line with its regulatory responsibilities. She noted that Prudential didn't offer enhanced annuities at that time, and that there were only a very limited number of providers that did. She didn't therefore think that Prudential had done anything wrong.

Mr E and Mrs G didn't agree with that assessment. So, as the complaint hasn't been resolved informally, it has been passed to me, an ombudsman, to decide. This is the last stage of our process.

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.

In deciding this complaint I have taken into account the law, any relevant regulatory rules and good industry practice at the time. I have carefully considered the submissions that have been made by Mr E and Mrs G and by Prudential. Where the evidence is unclear, or there are conflicts, I have made my decision based on the balance of probabilities. In other words I have looked at what evidence we do have, and the surrounding circumstances, to help me decide what I think is more likely to, or should, have happened.

The events that form the basis for this complaint took place a number of years ago. And sadly Mrs E is no longer able to tell us what happened. So, like Mr E and Mrs G, I am largely reliant on the paperwork that Prudential has been able to give to us, and my understanding of what was expected of businesses at that time.

As our investigator has explained, there were very few businesses at that time that were offering enhanced annuities in relation to a consumer's medical history or prognosis. Prudential wasn't a business that offered enhanced terms in 1997.

And I haven't seen anything that would make me think Prudential was aware that Mrs E had suffered from health problems in the past. It was aware that Mrs E had been allowed to retire around a year earlier than would normally be permissible under her occupational scheme's rules. But I don't think it would be reasonable to expect Prudential to conclude that was as a result of issues with her health. I don't know why Mrs E was allowed to retire early, and there are many reasons, other than ill health, why an employer might offer those terms to an employee.

I think that the letter Prudential sent to Mrs E advising her of her retirement options went further than the regulations at the time required it to. The letter not only set out the annuity that Prudential was willing to offer Mrs E, but it also made her aware that she could use her pension savings to buy an annuity from another insurance company. My understanding is that Prudential didn't need to include that information in its letters until early in 2002. As part of the information Prudential suggested that Mrs E might want to take some independent financial advice if she were interest in utilising this option.

I think it is also right to consider that it is far from clear whether Mrs E would have received a higher annuity from another provider. She would have needed to give that provider details of her health and future prognosis. And then that provider would have made an assessment as to the degree her medical condition impaired her life expectancy. I can see from the details that we've been given about this complaint Mrs E continued to take her pension for more than 20 years after her retirement.

Mr E and Mrs G have said that they think Prudential might have placed undue pressure on Mrs E with the time it gave her to respond to its annuity offer. So I've looked carefully at what Prudential sent to Mrs E.

The offer that Prudential was making to Mrs E was based on its estimation of the value of her pension savings at a given date. Obviously, in line with the markets, that value could rise and fall on a daily basis. So to be fair to both parties Prudential needed to apply a relatively tight time limit to Mrs E's acceptance of its offer to limit the fluctuation that Mrs E might see when her pension was finally put into payment. And I don't agree with Mr E's suggestion that this might have led Mrs E to consider it as something of a "take it or leave it" offer. I think the offer that was made to Mrs E made it clear that should any of the assumptions change Prudential could supply a revised quotation. I think that might have suggested to Mrs E that Prudential was happy to allow her to take whatever time she needed to make her decision.

I appreciate that my decision will be disappointing for Mr E and Mrs G. But I cannot conclude that Prudential did anything wrong when it sold the annuity to Mrs E in 1997. It follows that I don't uphold this complaint.

My final decision

For the reasons given above, I don't uphold the complaint or make any award against The Prudential Assurance Company Limited.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr E and Mrs G, on behalf of the estate of Mrs E, to accept or reject my decision before 4 September 2020.

Paul Reilly
Ombudsman