DRN-2134078

The complaint

Mr C complains that when he contacted The Prudential Assurance Company Limited (Prudential) to correct the value of his total household income that he'd provided during an initial meeting they'd had, Prudential failed to use that corrected figure in its assumptions when analysing whether the transfer of his deferred Occupational Pension Scheme (OPS) benefits was in his best interest. He is now concerned that he will exhaust his retirement account funds earlier than anticipated and is unsure that he would have gone ahead with the original advice if he'd known that at the time.

What happened

Mr C met with Prudential in August 2018 to discuss the possibility of transferring his deferred OPS benefits to a flexible retirement account. During the meeting Prudential underwent a fact finding exercise to gather the information needed to make its recommendation of whether a transfer was in Mr C's best interest. This involved "modelling" Mr C's financial position in retirement using his likely income and expenditure. Mr C provided the relevant figures required which showed a joint current income of £3,700 with an expenditure in retirement, after his mortgage was repaid, of £2,700.

But soon after the meeting Mr C found out that his wife's income was £500 more than he'd thought, so he contacted Prudential to make an alteration to the figures before it made its recommendation. Two weeks later Prudential presented its recommendation which was replayed in a suitability report. The report stated that Mr C's main objective in retirement was to provide a "*net household income of £2,700 per month, £1,700 of this will be met from Mrs C's continued employment income leaving you with a shortfall of £1,000 per month. You would like to raise this money in a tax efficient manner from your pension*". Mr C accepted the recommendation to transfer the benefits of one of his OPS' which then completed in November 2018.

In October 2019, prior to being made redundant, Mr C decided to check his personal pension projection and noticed that while Mrs C's income had been updated as requested the joint income remained the same as had been recorded at the meeting. Mr C thought that, as the assumed figure used by Prudential for his expenditure in retirement was £500 less than it should have been, his pension funds would run out sooner than expected by virtue of having to meet the higher expenditure.

So he complained about the matter, suggesting that it might have affected his decision to transfer in 2018 if he'd been aware of the possible earlier exhaustion of his funds. He wanted Prudential to either reinstate the original OPS benefits or to refund its advice fee.

But Prudential didn't uphold the complaint. It said that it had amended the income for Mrs C as requested but didn't have any evidence that Mr C had wanted his retirement outgoings to be increased also.
It said that it didn't base its recommendations on Mr and Mrs C's current joint income but on their retirement expenditure – which it hadn't been suggested would need to be increased in retirement.

It also said that it provided all the relevant information that Mr C needed to make his decision at the time and so it thought he would have raised his concerns if he thought the information was incorrect. However, Prudential did make a payment of £25 to Mr C for the length of time he'd been left on hold when he tried to contact it about the problem.

Mr C wasn't happy with this outcome so he brought his complaint to us where one of our investigators looked into the matter – but said the complaint shouldn't be upheld. He said that Prudential's adviser had amended the net income details as requested by Mr C and there was no request to amend the expenditure as well. But he also thought that the transfer represented Mr C's best route to achieving his retirement goals, so even if there hadn't been a misunderstanding relating to the income and expenditure figures he believed Mr C would more likely than not have agreed to transfer.

But Mr C still believed that he might not have gone ahead with the transfer had the correct monthly income been used in the projections. So, he asked for his complaint to be referred to an ombudsman and it's been passed to me to review.

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.

And having done so I agree with the investigator and for broadly the same reasons. I know this is an outcome that will disappoint Mr C, so I'll explain my reasons.

Mr C has succinctly confirmed the basis of his complaint in an email to the investigator from 21 July 2020.

He said *"Because the incorrect household monthly income of £2700 was used in the calculation, this meant that the income drawdown fund didn't run out until my early to mid 90s… So this mistake has a major financial impact on my retirement. Had the correct amount of £3200 been used, then the fund runs out much earlier in my early 80s. Had I known this at the time, I may not have transferred out of the Final Salary scheme".*

So I've started by looking at whether an error was made when Mr C made Prudential aware of the additional £500 of income that needed to be included in its analysis.

<u>*The amendment that was made and whether it was correct*</u>

I've looked carefully at the fact find that was completed by Prudential from 9 October 2018. Originally Mr C's monthly income was recorded as £2,430 with Mrs C's as £1,300. Following a subsequent discussion between Mr and Mrs C, Mr C emailed Prudential and said "*can you go ahead and get the analysis done for the potential transfer please. Also, a small change to the household income… (Mrs C) takes home about £1,800 per month, I think we had it at around £1,300 yesterday."*

And I've seen how this was then revised by Prudential in the copy of the fact find that I've been provided with. So I can't reasonably say Prudential did anything wrong here because it made the adjustment that Mr C asked it to make.
But the issue here is that Mr C says all his income is accounted for in the household expenditure – so any change in the income needed to be reflected in the household expenditure, which would then have affected the viability of the transfer with respect to the additional expenditure that needed to be covered.

The effect of not amending the expenditure

Looking at the suitability report that Prudential issued, it set out its reason for recommending the transfer as "*to provide an additional income of approximately £1,000 per month from age 55"*. Although it was explained that this would vary throughout Mr C's retirement, depending on his circumstances. The circumstances were detailed in Prudential's "*retirement modeller"* – where at various ages Mr and Mrs C's income would fall due to loss of employment but rise again with the addition of private and then state pensions. But this was all set out against the outgoings of £2,700 that Mr C had previously confirmed during the meeting it would be necessary to cover – after the mortgage was repaid in late in 2018.

Prudential has said that it carried out its modelling and analysis – not on the income Mr and Mrs C received – but on the need to cover the shortfall against the outgoings, depending on the various falls and rises in the total household income. And I think Prudential's approach to determining what recommendation it would reach seemed to be a reasonable way forward – especially considering that it had expressly said a transfer based purely on a like for like income comparison wouldn't be in Mr C's best interest, as the OPS would provide a much higher income level.

So I don't think Prudential did anything wrong in the way it carried out its modelling here. I think it was reasonable for it to expect Mr C to have said if he wanted the outgoing figure to be increased in retirement, and I think it was reasonable for it to consider the expenditure/outgoing figure to be accurate, as it had gathered that information just two weeks previously and it wasn't made aware of any changes in Mr C's circumstances that might have led to higher outgoings in retirement at that time.

The issue here is that Mr C's view of his outgoings was that, as he doesn't save money, they would be the same as his total income, so when he contacted Prudential to amend his wife's income he would have expected the corresponding outgoings to have increased accordingly.

But based on the information it was provided with, and the way in which it carried out its modelling, I don't think this would have affected the conclusions Prudential reached – which were based on a very specific set of circumstances and the need to cover a varying shortfall in income against expenditure throughout Mr and Mrs C's retirement.

That Mr C had been asked to carefully confirm his expenditure in retirement, which included a certain level of discretionary income, would suggest any additional income would probably have led to a surplus of funds – which he could then use at his own discretion, although it wouldn't be fair for me to speculate on what that might be. In this case I don't think the effect of the amendment in Mrs C's income should have led to Prudential doing anything different because it wasn't told by Mr C that the expenditure should automatically increase as well.

I've also taken into account that Mr C says he was presented with the "*personal planner*" Prudential used to "model" his situation and make its recommendation. He says he checked some parts of the planner but didn't check the assumed monthly expenditure – which he now accepts he ought to have done as it would have led to him identifying the matter and asking Prudential to remodel his position. It was when Mr C checked that same information a year later that he was able to identify the problem, so I think it was within Mr C's own capabilities to have picked up the "*error*" when a recommendation was made to transfer and asked Prudential to recalculate whether it was still in his interest.
That said, and I don't think it was Mr C's sole responsibility to ensure all the figures were correct according to the information he'd provided, I don't think Prudential's overall recommendation was incorrect based on the way it calculated Mr C's retirement needs.

Whether the transfer was suitable

Although I don't think Prudential did anything wrong in recording the changes Mr C wanted to make to his wife's income or that it had an effect on the recommendation Prudential put forward, I have also considered the overall suitability of the transfer and whether Mr C would have agreed to go ahead even if the information had been changed as he expected. Mr C himself has said he's unsure if he would gone ahead with the transfer if he'd known his pension fund would be exhausted considerably sooner than he was previously informed.

Prudential's own analysis said that Mr C would require a fund of £802,519 to provide the same benefits at retirement as the OPS. But the transfer value he was offered was £443,542 – so on a like for like income basis Prudential said the transfer wasn't in his best interest. But for Mr C to retire at age 55, which he wanted to do, would have meant receiving £1,087 per month from his scheme with no tax free cash or withdrawing tax free cash of £73,400.58 plus £917 per month.

But Mr C required more than that – his retirement account was set up to pay him £1,094 per month initially, and in addition he could withdraw up to £108,667 as tax free cash either as one lump sum or smaller ad-hoc payments. In addition, his wife could expect to receive the entire remaining fund on his death as opposed to two thirds of Mr C's annual pension from the OPS. So I can understand why Prudential made a positive recommendation to transfer and there are good grounds for understanding why Mr C was happy to accept the recommendation – especially as he was aware of the guaranteed benefits he would be giving up from the OPS.

So when considering the reasons that were put forward, and the position Mr C was in – he was made redundant from his job less than one year later, I don't think he would have been able to achieve his quite specific objectives from the OPS at that time. So, even if the transfer analysis had been remodeled with an amended outgoings figure, I think Mr C would still have gone ahead with the transfer – which I think he accepted was in his best interest given his situations and objectives in 2018.

I have some sympathy for Mr C's frustrations however, that if he believes he needs a further £500 each month in retirement, then he will deplete his pension fund earlier than anticipated – although the flexibility of the plan means that he could choose to take less income – if possible - to help preserve the fund.

I accept though that isn't what Mr C expected and can understand his concerns, but I don't think Prudential has acted unreasonably here or treated Mr C unfairly, so I can't reasonably ask it to refund its advice fee or reinstate Mr C's original OPS benefits. I think the transfer would have gone ahead regardless and therefore I think Prudential is entitled to keep the fee it charged for completing the transfer.

My final decision

For the reasons that I've given I don't uphold Mr C's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C to accept or reject my decision before 10 December 2021.

Keith Lawrence
Ombudsman