

The complaint

Mr M has complained about The Prudential Assurance Company Limited. He's unhappy about the review of the sale of his annuity.

What happened

Mr M took an annuity with Prudential in 2009.

The Financial Conduct Authority (FCA) carried out a review which looked at whether firms selling non-advised annuities had acted correctly. It considered whether customers had been informed about enhanced annuities and that customers could potentially get a higher income from an enhanced annuity from another provider by shopping around with the open market option (OMO).

After this review, the FCA directed that Prudential carry out a review of some of its sales. Prudential reviewed the sale of Mr M's annuity as part of this wider review and found that he hadn't been given adequate information about the possibility of enhanced annuities or the OMO.

Mr M was asked to complete a medical questionnaire and he responded setting out some medical conditions which affected him at the time of the sale.

Prudential reviewed this information and the annuity Mr M had but said that he hadn't lost out as a result of their mistakes. It said the medical conditions he'd identified wouldn't have qualified for an enhanced annuity and the annuity he was receiving was more than the annuity he may have got with the OMO.

Mr M disagreed and made a complaint. Prudential didn't uphold the complaint and he referred his complaint to this service.

The complaint was considered by an investigator, but he didn't think that it should be upheld. He explained that Prudential accepted that it hadn't given Mr M all the information it should have when he bought the annuity in 2009. Mr M had completed a questionnaire which detailed health conditions he had in 2009 which may have qualified for an enhanced annuity. Prudential had considered this information and reviewed the sale in line with the FCA guidance. Prudential said that the health conditions identified would not have qualified for an enhanced annuity and that Mr M's actual annuity was higher than he would have achieved if he had used the OMO. Therefore, he had not lost out.

Mr M didn't agree. He said that he had been taking medication daily and had serious health conditions. The FCA had fined Prudential and accepted that customers were regularly being paid annuity rates which were ten per cent below the best rate available from alternative providers. He wasn't asked about his health or advised about the OMO at the time of the sale.

As no agreement has been reached the case has been referred to me for a final decision.

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.

I agree with the investigator. I don't uphold this complaint. I'm satisfied that Prudential carried out a review of this annuity sale in line with the FCA guidance.

Prudential accepts that Mr M may have been suffering from ill health at the time of sale, but it says that the specific medical conditions he's identified wouldn't have qualified for an enhanced annuity. I have no reason to doubt what Prudential has said. Not every medical condition would usually qualify for an enhanced annuity. Enhancements are usually available for specific conditions, often by reference to a list. These conditions are mostly those which affect life expectancy. It wasn't under any obligation to offer an enhancement for any medical condition identified.

Prudential has also calculated the annuity Mr M could have expected with the OMO based on the guidance from the FCA. Using that calculation, it produces a figure that is lower than Mr M's actual annuity. This means that he's not suffered any loss due to his not being advised to use the OMO and shop around for an annuity.

I have considered all that Mr M has said, and I do understand his frustration. It's true that the FCA fined Prudential and directed a review of certain annuity sales, including his. But this doesn't mean that every sale was flawed, or that every customer has suffered a loss. Prudential accepts that this sale was flawed, but it's still necessary to consider if any failure by Prudential made any difference to the annuity he should have had. The question is, if the sale had been fully compliant would Mr M have received a higher annuity? The evidence here suggests that he wouldn't and so he isn't worse off.

It's not the role of this service to punish or fine a business. This service is not the industry regulator. Our role is to consider individual complaints and when a business has got things wrong, we can direct that it put things right. Although Prudential did get things wrong here, I'm not satisfied that its mistakes have caused Mr M any loss. Therefore, I don't uphold this complaint.

,My final decision

I don't uphold this complaint or make any award.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 5 April 2021.

Keith Taylor
Ombudsman