

## **The complaint**

Mr M has complained about The Prudential Assurance Company Limited. He is unhappy about the charges he paid when he entered drawdown. He's also unhappy that he wasn't told about changes to pensions legislation which took place in 2015. Mr M has also questioned why drawdown was said to be a retirement option for him when his pension product didn't allow it without transfer (and the connected expense).

## **What happened**

Mr M set up a Free-Standing Additional Voluntary Contribution (FSAVC) pension plan with Prudential in 1997.

In December 2019, Mr M received a retirement pack which set out some options that were available to him. Mr M says that he wanted to take tax free cash (TFC) of 25 per cent and then enter into a drawdown arrangement. A drawdown option was included in the retirement pack.

On enquiry, Mr M was told that drawdown wasn't an option for this FSAVC plan. He met with an adviser to discuss other options and he was advised to set up a Self-Investment Personal Pension Plan (SIPP) to receive the FSAVC funds and then drawdown when he needed to.

Mr M then discovered that there would be a charge for this amounting to three per cent of the fund value.

Mr M made a complaint. He said he was unhappy with the service he had received, and he was concerned that he hadn't been informed of the 'Pension Freedoms' legislation, in 2015.

Mr M did accept Prudential's advice and set up the SIPP.

Prudential accepted that there had been some service issues and offered Mr M £150 (which he has recently accepted). But it didn't uphold the remainder of the complaint. It said the three per cent charge was in respect of the cost of setting up the new policy. Also, it said that its pension literature had been updated after pension freedoms in 2015, but it didn't contact all customers regarding this as that would be costly.

Mr M didn't agree and referred his complaint to this service. Mr M confirmed that he didn't wish for us to consider the service issues. His focus was on the other aspects of the complaint.

The complaint was considered by an investigator, but she didn't think that it should be upheld. She explained the background to the 'Pension Freedoms' legislation and said that, in effect, although it did provide more flexibility in the way pension funds could be accessed it didn't directly impact on the terms of existing pension plans. This plan started in 1997 long before drawdown was available, the 2015 legislation didn't change that.

The investigator didn't think Prudential had acted unreasonably by not allowing Mr M to move to drawdown with this plan. His FSAVC plan didn't include that option and the 2015 legislation didn't change that.

The investigator also explained that Prudential wasn't under a general regulatory obligation to inform its policyholders of changes to pension rules or legislation.

Finally, with regard to the three per cent fee, the investigator was satisfied that Mr M was made aware that he could take advice elsewhere if he wished and that there had been transparency about the charges before he had accepted the advice.

Mr M didn't agree. He said, in summary, the retirement pack included flexible drawdown as an option. It was only when he enquired that he was told it wasn't actually an option and that there would be a three per cent charge to effect this. Also, guidance in the Pension Regulator Trustees Advice suggested that information should be provided to pension-holders about changes in legislation.

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've summarised the background to this complaint and what Mr M has said in response to the investigator's view, but I have read everything. Having done that, I've reached the same conclusions as the investigator and for the same reasons. I don't uphold this complaint.

#### *The drawdown option*

Mr M held a FSAVC plan which was set up in 1997. Drawdown wasn't an option for pensioners then and so it's not surprising that it wasn't included in his policy. The 'Pension Freedoms' legislation provided pensioners with more flexibility about how they access pension funds. But this legislation didn't have any direct effect on Mr M's FSAVC plan. It didn't change the terms and conditions of the plan and there was no requirement on pension companies to change the terms.

So technically, drawdown wasn't an option for Mr M when he retired as the plan didn't include it. But Prudential did include it as an option in his retirement pack. I can understand why Mr M questions this, but I disagree with him and I don't think it was acting unreasonably in doing so. I think there was a valid reason to include it as it was something that could be achieved although with additional steps and additional costs. It must have been an attractive option for Mr M as it's the one he chose. I agree, that for completeness it may have been better if there had been some explanation of the steps necessary and the costs, but the retirement pack isn't intended to provide a totally in-depth guide to every possible option. It's a starting point. Looking at it another way, I think Prudential may have been open to greater criticism if it hadn't referred to drawdown as an option at all.

#### *The charges*

I'm satisfied that there was adequate transparency about Prudential's charges. These were clearly set out before Mr M was committed to them. He was also advised of his option to shop-around for advice elsewhere if he wished. He didn't have to stay with Prudential if he didn't want to. And as the investigator said, it's not the role of this service to assess if fees

are 'fair' or if they represent good value. There was transparency and Mr M went ahead in an informed position in my view.

*Information about changes in legislation*

I've noted Mr M's comments about Prudential's obligations to inform its customers of changes in legislation. I can fully accept that if there were legislative changes which had impacted directly on his FSAVC plan and the way it operated, it may have been reasonable for Prudential to tell him about it. But that isn't what happened here. The 'Pension Freedoms' legislation didn't directly impact upon his FSAVC plan, the legislation was more general and not in any way specific to his plan. I don't think it would be reasonable to expect Prudential to inform all its pension-holders of each and every change to pension rules or legislation. That would be too onerous, expensive and probably not in the interests of its customers.

I'm sorry Mr M's experience when he accessed his pension didn't go as smoothly as it could have done, but I'm not satisfied that Prudential has done anything wrong so that I should uphold his complaint and make an award.

**My final decision**

I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 22 October 2020.

Keith Taylor  
**Ombudsman**