

## **The complaint**

Mrs H complains that The Prudential Assurance Company Limited (“Prudential”) unreasonably switched her pension savings from a “with profits” fund to a cash fund as she approached her selected retirement date. She also complains that Prudential failed to adhere to its offer to provide her with free financial advice to allow those pension savings to be switched back into a more suitable investment fund.

## **What happened**

Mrs H has made a separate complaint about information she was given about the investment returns that would be paid from the cash fund. I will be issuing a separate final decision in relation to those matters so won't deal with them in this decision.

Mrs H has held pension savings with Prudential arising from a previous employment since 1994. Those pension savings were invested in a with profits fund. When Mrs H originally opened the pension plan she told Prudential she intended to retire at age 65. In 1996 Prudential agreed to alter Mrs H's retirement date to age 60.

Mrs H turned 60 in August 2019. The terms and conditions of her pension plan provided that Prudential would change the investment of her pension savings into a cash fund one month before her selected retirement date, unless Mrs H notified it to the contrary. Prudential wrote to Mrs H on 14 June, ten weeks before her selected retirement date, to warn her of the upcoming change. Mrs H didn't respond to that letter although she accepts that she received it. Her pension savings were moved into a cash fund in July 2019.

Mrs H got in touch with Prudential in early August 2019. She told the firm that she was considering deferring her retirement for five years. But by that time Mrs H's pension savings had been transferred into the cash fund. So Mrs H asked Prudential if they could be returned back to the fund in which they were originally invested. Prudential advised that this was not possible, but did explain that Mrs H could choose an alternative investment fund if she wanted. Prudential agreed to send Mrs H information about the alternative fund choices and details of how she could take her pension benefits if she did in fact want to do so.

It appears that information wasn't successfully sent, so Mrs H called again later in the month to chase it. And on that call she also asked to be sent projections of her expected pension benefits. Following that call, the original information requested was sent to Mrs H, but not the projections. They weren't sent until Mrs H made her complaint to Prudential the following month.

Mrs H was concerned that her pension savings were no longer benefitting from any investment growth so she started to consider changing the way in which they were invested. But she was uncomfortable making that decision alone. Prudential made her aware of its financial planning team and offered to provide her with an initial free consultation. There appear to have been some delays in setting up that meeting. But ultimately Mrs H was told that she would need to pay a fee for any advice she was given.

Mrs H chose not to pay for any advice. Given that she was unwilling to reinvest her pension savings without advice, and that those savings weren't currently benefitting from any investment growth, she reluctantly chose to take her pension benefits.

Prudential dealt with these aspects of Mrs H's complaint via two final response letters. The first letter dealt with the switch of the pension savings to the cash fund, and the information Mrs H had requested to be sent in August. Prudential didn't accept it had been wrong to switch the pension savings to the cash fund but accepted that its customer service in August had fallen short of what it would expect. It paid Mrs H £100 for the trouble and upset she'd been caused.

Prudential's second response dealt with what had happened during the time Mrs H was discussing whether she could receive any advice about reinvesting her pension savings. Whilst Prudential didn't find that it had done anything wrong it accepted that its customer service had again fallen short – it hadn't called Mrs H back when it had promised, and its call wait times were lengthy. So it paid Mrs H a further £125 for the trouble and upset she'd been caused.

Mrs H didn't agree with Prudential's responses. So she brought her complaint to this Service. Her complaint has been assessed by one of our investigators. Overall he didn't think Prudential had done anything wrong with regards to the transfer of the pension savings to the cash fund or what it told Mrs H about the advice it could give her. And he thought that the £225 Prudential had paid Mrs H for its customer service failings was a fair offer. So he didn't think the complaint should be upheld.

Mrs H 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've taken into account the law, any relevant regulatory rules and good industry practice at the time. I have also carefully considered the submissions that have been made by Mrs H 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.

There are a number of different parts to Mrs H's complaint. Although they are, to a degree, interrelated, I think it is appropriate that I should look at each of them in turn.

#### **The move of the pension savings into the cash fund**

Mrs H's pension savings were in the form of a defined contribution scheme. That is, her benefits at retirement weren't guaranteed and were entirely reliant on the value of her pension savings at the date she chose to retire. There was a significant risk that any market fluctuations shortly before her chosen retirement date might have a serious and adverse effect on her future pension income. So, in line with many similar pension schemes, the terms and conditions of her pension required Prudential to move her pension savings into a significantly less volatile and less risky cash fund a month before her selected retirement date.

I can see that Prudential wrote to Mrs H around 10 weeks before that retirement date to warn her of the impending switch in her investments. It gave her the opportunity to get in touch if she didn't want the switch to take place. And it warned Mrs H that once the switch had been completed, it couldn't be reversed. Mrs H accepts that she received that letter, but failed to take any action as a result.

I accept what Mrs H says about that letter not providing her with much information about what the switch to the cash fund meant – and in particular that her pension savings might not benefit from as much (or any) investment growth. But I don't think that means she shouldn't have got in touch with Prudential before the switch took place to ask for more information.

So I don't think that Prudential did anything wrong in moving Mrs H's pension savings from the with-profits fund into the cash fund.

Was free financial advice offered?

After Mrs H's pension savings were transferred into the cash fund she began to discuss with Prudential whether it would be possible to defer her retirement date. And in order to improve the investment returns on her pension savings she asked if it would be possible to return her pension savings to the with profits fund in which they were previously invested.

Given the medium to long term nature of a with profits investment Prudential required there to be at least three years before the specified retirement date for pension savings to be placed in that fund. It says that even had Mrs H deferred her retirement date that wouldn't have altered the contractual retirement date on her pension. So I don't think Prudential acted unreasonably in telling Mrs H that she would need to choose an alternative investment fund if she wanted to move her savings from the cash fund.

I can see, although there was a delay, that Prudential sent Mrs H details of the funds that were available to use to invest her pension savings. But I understand that Mrs H was concerned that she didn't have sufficient experience to make an investment decision. That is a position in which many consumers find themselves and one of the functions provided by a financial advisor. But generally that advice isn't free – and Mrs H was concerned about the impact that paying for advice of that nature would have on her pension savings.

I have listened carefully to some of the calls that Mrs H had with Prudential. In particular she had a long call in early October with a couple of members of Prudential's team. The call was originally set up to explain Mrs H's options about taking her pension benefits. But on that call it became clear that Mrs H was considering leaving her pension savings invested, but had concerns about choosing the new fund into which they could be placed. So at the conclusion of that call Mrs H was referred to Prudential's in house financial planning team to see whether she might want to take some investment advice.

Mrs H was told that the initial consultation would be free of charge. But she wasn't given any expectation on that call that should she decide to take advice from Prudential that would also be free of charge. Specifically she was told that the initial call would provide an opportunity to discuss how the advice might be charged for and at what rates. I appreciate that there were some delays in setting up that call and I will address that later in this decision.

Unfortunately Prudential doesn't record the calls made with its financial planners. So I cannot be certain how the discussion Mrs H held with that team progressed. But from the file note taken at the time it appears that she understood charges would be levied for advice and that she had decided not to proceed. And it appears that shortly after that meeting Mrs H decided to take her pension benefits.

So I cannot conclude, on the basis of the evidence I have seen, that Prudential gave any offer of free advice to Mrs H. She was told that she was able to decide for herself how her pension savings were reinvested, or that she could use a Prudential, or independent, financial advisor. So I don't think Prudential has done anything wrong here either.

*Did Prudential provide an acceptable level of customer service?*

Prudential has already told Mrs H that it failed to meet the levels of customer service that it would expect to offer. And I would agree with that assessment. I can see that on a number of occasions Mrs H needed to chase Prudential for information that it had agreed to post to her. And it seems that she has needed to make a number of calls when follow up calls from Prudential were not received as agreed. I can understand how frustrating that additional work would have been for Mrs H when she was trying to deal with the complex situation of planning how and when to take her retirement benefits.

In relation to its customer service failings Prudential has already paid Mrs H £225. I've considered that payment carefully, against the backdrop of the trouble and upset that was caused to Mrs H. Having done so I don't consider a greater payment would be warranted here, and so I am persuaded that the payment Prudential made to Mrs H was fair and reasonable in the circumstances.

So, in summary, I don't think that Prudential acted unfairly in moving Mrs H's pension savings into the cash fund. Nor do I think Prudential gave Mrs H any offer of free advice relating to the reinvestment of those savings. I think the payment that Prudential made to Mrs H to reflect the trouble and upset she'd been caused by its customer service failings was fair and reasonable.

**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 Mrs H to accept or reject my decision before 4 February 2021.

Paul Reilly

**Ombudsman**