

The complaint

Mr W through a professional representative complains that The Prudential Assurance Company Limited (Prudential) didn't provide him with enough information to make an informed choice about his options at retirement.

What happened

Mr W held a Personal Pension with Prudential with a normal retirement age of 60. In May 2006 Prudential sent Mr W a retirement pack, this included a Key Features Document (KFD) which set out information about his options and a form with eight different annuity quotes which he could select.

The quotes Prudential provided gave Mr W various options to take his benefits, including having an income that remained the same each year and an option to have an income that started at a lower amount but increased at 3% annually.

The KFD said on page 5:

'RISK FACTORS

- *Inflation will reduce the spending power of your income in the future, especially if you choose a level income'*

Mr W chose to take a level income paying him £523.56 per year.

More recently in 2020, Mr W's representative complained to Prudential to say that Mr W had been mis-advised to take out a level income. Mr W's representative said his income would be eroded by inflation and he should've been informed to take out an income drawdown plan.

Prudential responded to say that the sale was non-advised and therefore it wasn't responsible for the choices made by Mr W. It also noted that Mr W did have a financial adviser at the time (separate to Prudential) but chose not to use him.

Our investigator looked into matters. He concluded that the sale was non-advised and Prudential had provided enough information to make Mr W aware of his options.

Mr W's representative disagreed. He said the potential effect of inflation when taking benefits at age 60 is huge and could significantly decrease Mr W's buying power in the future. This should've been made much clearer than on page 5 of a document that Mr W had to seek out to find and fully understand. The fact that the annuity options included a 3% escalation option is of little significance as it has a far lower starting income. Had the significance of inflation been presented to Mr W, he would've known to get advice and would've likely taken out a low cost income-drawdown policy.

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.

Having done so I won't be upholding Mr W's complaint. I'll explain why.

This was a non-advised sale, Prudential had no requirement to check that the choices Mr W made were suitable for him. It was only required to make sure Mr W was provided with enough information to make an informed choice.

Mr W did have an adviser but chose not to make use of their services – although it appears they did help Mr W as a favour to complete his vesting of his benefits. Prudential did as it was requested by Mr W, paying him his benefits in-line with the selection made by him.

Mr W's representative says that Prudential didn't do enough to make it clear to Mr W about the importance of inflation. I disagree, it set this out clearly to him in the KFD document on page 5 – that inflation will reduce his buying power in the future.

And further on page 8 of the KFD it said:

Effect on your income: Although you'll start off on a higher income its buying power will go down as the cost of living goes up. Even at low rates of inflation, such as 3% a year, the spending power of your income could be reduced by a quarter in just 11 years.

I don't think realistically and in the context of a non-advised sale, Prudential could've been expected to have done anymore to make Mr W aware of the potential effects of inflation. Mr W's representative says this wasn't prominent enough on page 5 (and 8). But not everything can be on the first page of a document. This information wasn't hidden in small print, it was clearly presented in a document titled '*Key Features*' and it was reasonable to expect that Mr W should read this.

As an aside Mr W's representative suggests had he been made aware of the impact of inflation and sought advice, Mr W would've taken out a low-cost drawdown product. I don't believe a simple low-cost drawdown product existed in 2006. And I don't think Mr W would've been able to find a provider willing to accept a transfer. Typically income drawdown was only available and deemed suitable around at that time for those with large funds circa £200,000 or more. And drawdown was a higher cost and higher risk arrangement then. Mr W's fund was approximately £10,000, I therefore very much doubt that an adviser would've recommended drawdown to him or that he could've found a provider to accept that arrangement in any event.

In conclusion, Prudential provided Mr W with enough information to make an informed choice about his retirement options. Mr W chose not to take advice and Prudential administered his annuity in-line with his instructions.

My final decision

I do not uphold this complaint and make no award.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr W to accept or reject my decision before 26 October 2021.

Simon Hollingshead
Ombudsman