

## The complaint

Mr B complains about the performance of his pension. He says that The Prudential Assurance Company Ltd haven't managed his pension investments properly as his pension pot hasn't increased in value as much as it usually does. He wants compensation.

## What happened

Mr B has a personal pension with Prudential invested in its With-Profits Fund. In February 2020 he received an annual statement for the year mid-February 2019 to Mid-February 2020 showing that the value of his pension pot was £91,558.62. The previous year the value had been £90,480.32. It also showed he'd contributed £800 and paid around £1,000 in charges. The increase in the value over and above his contributions was just under £280 from the previous year. In the previous year the increase had been £7,939.14.

In early March 2020 Mr B called Prudential to complain about the performance of his pension investments. The Prudential representative explained that the performance of funds can go up and down and referred him to information about the With-Profits Fund on its website. It provided a written response to his complaint shortly afterwards. Prudential said:

- Mr B's pension was invested in Prudential's With-Profits Fund. His payments were added together with other investors and then invested in a wide range of assets in the UK and abroad.
- The statement he was complaining about was based on the performance of the With-Profits Fund in 2018. This is because bonuses are set with regard to the previous year's returns. Once regular bonuses are added, they can't be removed, unlike terminal (final) bonuses which can be reduced at any time.
- 2018 had been a difficult year for financial markets with many seeing negative returns. The With-Profits Fund had made a net loss of 2.2% before taking into account charges or the effects of smoothing.
- Declaring bonus rates at a prudent level aims to help the fund and gives a better opportunity of paying higher terminal bonuses in future.
- Investments can go up and down in value at any time and Prudential were satisfied that the values he'd been quoted were correct, in line with the performance of the fund and the bonuses declared.

Mr B remained unhappy, so he brought his complaint to our service.

Our investigator didn't uphold the complaint as he was satisfied with Prudential's explanation for the lack of growth. He said he understood Mr B was disappointed that his pension value hadn't grown as he expected, but that didn't necessarily mean it had been poorly invested. Mr B didn't agree. He said Prudential hadn't managed his investments properly which is what he pays it to do.

Our investigator added that Prudential are required by the Financial Conduct Authority (the FCA) to manage the With-Profits Fund in accordance with the FCA's guidelines. The FCA regularly monitors such Funds, and there is no evidence it has any concerns about Prudential's With-Profits Fund.

Mr B's complaint came to me for a decision from an ombudsman.

### **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 appreciate Mr B is very disappointed with the performance of his pension. That's understandable. But I don't think that Prudential has done anything wrong, so I'm not going to uphold the complaint.

The essence of Mr B's complaint is that his pension didn't do as well as previous years. The value of his pension pot only increased by a few hundred pounds when Mr B says it normally increases by a few thousand. He says Prudential hasn't done the job he pays them for.

It wouldn't be fair of me to find that Prudential has done something wrong just because Mr B's pension pot didn't increase by several thousand pounds each year, as Mr B expects. Page 2 of the Annual Statement sent to Mr B indicates that:

*Investing in funds involves risk. Fund values can go up and down and there's no guarantee that you'll get back what you put in.*

Prudential's reply to Mr B's complaint explains how Mr B's pension plan operates so I won't repeat it all here. As I've said, Mr B's pension is invested in Prudential's With-Profits Fund. The growth achieved by a pension pot invested in a With-Profits Fund depends on the level of bonuses awarded by Prudential, which in turn depends on the underlying performance of the assets in the fund. As Prudential also explained, the Annual Statement Mr B received in February 2020 includes a bonus based on the performance of the With-Profits Fund in 2018.

Prudential explained that 2018 was a hard year for investment markets. I agree. It is general knowledge that most share markets and asset classes fell in value during 2018. Prudential's With-Profits Fund is invested in UK and overseas shares, bonds, property and cash. I don't think the fact that the value of the With-Profits Fund fell by 2.2% shows any mismanagement by Prudential in these circumstances.

In fact, Mr B's pension pot didn't fall by 2.2% because Prudential added a small regular bonus in line with its discretion to 'smooth' returns. It does this by holding back some of the profits from previous years to use as bonuses for years with poor or negative investment performance. This meant it didn't pass the loss onto Mr B, but rather, used profits from previous years to pay a small bonus. But it must be fair to all policy holders in how it does this, it can't just increase the bonus in the current year without considering the impact on future years. It must administer its With-Profit Fund in line with the requirements of its regulator, the FCA.

The FCA requires Prudential to have and publish a document called Principles and Practices of Financial Management (PPFM) which explains how it manages its With-Profits fund including the nature and extent of decisions it takes to manage the fund and how it applies discretion to treat customers fairly. Among other things, the PPFM sets out how policy values are calculated, and its practices in relation to declaring regular and final bonuses. As our investigator said, I've no reason to think that the FCA is concerned about Prudential's management of the With-Profits Fund.

Taking account of what I've said above, I've no reason to think Prudential did anything wrong in its management of Mr B's pension pot so I won't be upholding the complaint. I appreciate that this will come as a disappointment to Mr B.

**My final decision**

My final decision is that I don't uphold the complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 16 January 2021.

Helen Wheatley  
**Ombudsman**