

The complaint

Mr H has complained about The Prudential Assurance Company Limited. He's unhappy about the way it's reviewed the sale of his annuity from 2012.

Mr H is represented in this complaint by his wife, Mrs H, but I'll refer to Mr H throughout.

What happened

Mr H bought an annuity with Prudential in December 2012, with the first payment made in January 2013.

In 2019 Prudential wrote to him asking him to provide medical and lifestyle details. This was because Prudential was carrying out a review to see if customers had lost out because they weren't advised about enhanced annuities at the time the annuities were sold.

Mr H provided information and medical evidence to show he suffered from diabetes, and that Mrs H (as eligible dependant) suffered from asthma. Based on this information, the annuity was reviewed and in November 2019 Prudential wrote to Mr H saying that there was no financial loss. However, the figures set out didn't seem right to Mr H and Prudential were asked to look at them again. A second assessment was made, and revised figures showed there was loss and a lump sum payment of around £600 was due for past losses, as well as a higher monthly annuity payment going forward.

Prudential also offered to pay £100 compensation for the initial incorrect assessment.

Mr H was unhappy with the outcome as he thought he was already receiving an enhanced annuity and said that had he known this wasn't the case, he could have looked for better rates and enhanced annuities elsewhere. He also said that he felt rushed in 2012, at the time of the sale, and the increased payments aren't enough.

The complaint was referred to this service where it was considered by an investigator. He didn't think that it should be upheld and explained why he thought the offer Prudential had made was fair.

The investigator said that before the annuity was sold Mr H had meetings with a financial adviser from Prudential. The financial planning report from December 2012 detailed the discussions that had taken place as well as the options presented. An agent visited Mr H at home more than once. On 28 December 2012 there was a meeting to finalise Mr H's choices and provide the relevant forms.

Prudential carried out a review of the sale as part of a regulatory program to make sure any shortfalls in recommendations for enhanced annuities were rectified.

Mr H said he felt rushed, but the investigator pointed out that the sales process took place over several months and there were a number of meetings. The quotations explained that Mr H could choose to buy an annuity from another provider if he wished. The financial planning report also mentions that he didn't want to explore the open market option as he was happy

with Prudential. The options were also repeated in the return forms and the report confirms this was discussed.

The investigator was satisfied that the options were clarified, and Mr H made an informed decision to purchase an annuity from Prudential.

On the enhancement, the investigator noted that the financial report doesn't contain notes of any discussions about medical conditions or lifestyle choices that may have an impact on the annuity. So, it wasn't apparent that enhanced annuity options were considered. The recommendations focussed on guaranteed income periods, lump sum payments and dependant benefits.

The investigator was satisfied that the option of an enhanced annuity should have been discussed. However, he explained that in the review from August 2019 onwards Prudential used calculations set out by the regulator, the Financial Conduct Authority (FCA). The calculation itself took into account health and lifestyle circumstances to determine what Mr H could have achieved as an enhanced annuity in the open market at the time. The investigator checked the calculation and was satisfied that it was carried out correctly.

The investigator considered Prudential's offer of £100 was fair. He thought Prudential had acted in reasonable time frames to put things right.

Mr H didn't agree. He restated that he should've had an enhanced annuity from the outset and should have had the chance to explore the open market option.

The investigator explained that Prudential had taken account of the options Mr H had with it and with other providers. Therefore, Mr H had been put in the same position he would have been in if the sales process had been carried out correctly in 2012.

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've set out a summary of his view above, and there is very little that I can add. I don't uphold this complaint as I think Prudential's offer is fair.

I appreciate that Mr H feels that the sales process in 2012 was rushed. Although it's now clear that there were some failures in that process, there appear to have been a few meetings over a period of a few weeks. Mr H was obviously making an important decision which would impact on him through the rest of his life. But I've not seen anything to suggest, in any objective way, that the sales process itself was hurried. The timescale doesn't look unreasonable in any way.

Having considered the evidence from the time of sale, I agree with the investigator that the open market option was explained with reasonable clarity. The documentation, including the quotations, is reasonably clear on this in my view. I'm satisfied that Mr H knew, or ought to have known, that he could decide to set up his annuity with another provider if he wished. I think there was sufficient information to make an informed choice.

However, Mr H can also have the assurance now that the calculations Prudential has been required to make by the regulator do put him in the same position he would have been in if he had chosen to explore the open-market option. The calculation the regulator requires isn't limited to Prudential's annuity rates and takes into account rates that may have been available to him elsewhere from other providers.

Prudential has offered £100 for the distress and inconvenience it has caused. I agree with the investigator that Prudential did conduct the review with reasonable speed. I can understand the review process will have caused inconvenience and some frustration, particularly when Mr H may have had a nagging concern that the 2012 sale process had been hurried. But Prudential has put things right. I'm satisfied that Mr H is now in the position he should have been in and is receiving the correct annuity. In these circumstances, I think the offer of £100 does properly acknowledge its failures and is fair in all the circumstances.

My final decision

I don't uphold this complaint. I consider the offer Prudential has made to be fair.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H to accept or reject my decision before 22 February 2021.

Keith Taylor
Ombudsman