

The complaint

Mr M complains that The Prudential Assurance Company Limited failed to provide him with appropriate advice and information in 1996 when he was considering making additional pension contributions.

What happened

Mr M was a member of an occupational pension scheme. In 1996 he wished to make additional contributions to his pension savings – he says that was because he thought that he would want to retire earlier than the normal scheme retirement age of 60. Mr M's occupational pension scheme offered him two alternative ways of making additional pension contributions. He could either contribute to an Additional Voluntary Contribution (AVC) scheme that was administered by Prudential, or he could use his additional contributions to purchase "added years" of pension benefits.

Mr M met with an advisor from Prudential in May 1996. The documentation from the time records that Mr M had not participated in a full review of his finances, and so accepted that the advice Prudential could give to him was limited to the payment of AVCs. That documentation also noted that Mr M had been made aware of the option to instead make "added years" contributions instead. Mr M started making AVC contributions before stopping them in 2007 when other more pressing financial needs took precedence.

Mr M took his pension benefits at age 56 in September 2010. At that time he took a pension commencement lump sum, and used the remainder of his AVC pension savings to purchase an annuity from another firm. In 2020 Mr M complained to Prudential about the advice and information he'd been given in 1996. In particular he complained that the potential benefits of the AVC scheme had been overstated, and that Prudential hadn't given him sufficient information about the other ways he could make additional contributions to his pension. Prudential didn't agree with Mr M's complaint so he brought it to this Service.

Mr M's complaint has been assessed by one of our investigators. He thought that the information available from the time suggested that Prudential had provided Mr M with sufficient information about the other options available to him. And he didn't think that Prudential's projections of the likely value of the AVC savings when Mr M retired were out of line with industry expectations at the time. So he didn't think the complaint should be upheld.

Mr M 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 Mr M 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.

The event that Mr M is complaining about took place almost 25 years ago. Whilst I have no doubts that Mr M has given us his complete and honest recollections of what happened, I must be mindful that over such a long period of time even the most careful of memories can, and do, fade. And for the same reasons it isn't entirely unsurprising that Prudential might not have as much paperwork as it once had relating to the advice it gave to Mr M.

The majority of the contemporaneous evidence from the time is contained within an application form that Mr M signed to start making AVC contributions. That form contains a number of additional statements that give some understanding of what might have been discussed between Mr M and Prudential. For example the form records that Prudential didn't undertake a personal financial review with Mr M – it only gave him advice about the AVC scheme. It also notes that Mr M had been made aware of the "added years" contribution option. And it explained that his AVC contributions would be invested into the "With Profits Fund", although it goes on to explain that other investment options were available on request.

I don't think that this form should lead me to conclude that Mr M was offered, and declined, a full financial review. The form simply records that a review didn't take place and as a result the advice Prudential gave would be limited in nature and only cover the AVC options. But I don't think that means the advice Prudential gave was inappropriate. Providing it was clear to Mr M that the scope of the advice was limited, he would have been free to either request more detailed advice or seek support from an independent financial advisor. I haven't seen anything that would make me think Prudential led Mr M to believe it was providing him with more comprehensive advice – the form that he signed clearly states the opposite.

In 1996 the expectations for future investment growth, and the levels of annuity that could be purchased, were very different from now. Since that time annuity rates have fallen, as have the expected levels of growth from the sort of investment that Mr M took. That doesn't mean that the expectations at the time were incorrect – but I can entirely understand why Mr M has reached the conclusion that the information he was given was over optimistic given what has happened over the intervening years.

The levels of expected investment performance used in quotations are set by the regulator. In 1996 those levels were far higher than the ones in use today. I haven't seen the exact quotations that were provided to Mr M – but I have no doubts about what he says when he recalls being told that the AVC savings would allow him to retire early without experiencing a loss of pension income. But I think it likely the quotations Prudential would have provided were in line with the regulator's expectations at the time. I cannot uphold a complaint simply because, with the benefit of hindsight, investments haven't performed as they might have reasonably been expected to.

The final response that Prudential sent to Mr M explained why it might not have been appropriate for him to use the “added years” option in 1996 when he was deciding how to make his additional contributions. I haven’t examined those arguments in any detail since I think the information Mr M was given about the “added years” option was sufficient. Just above where Mr M signed his application was a statement confirming he’d been told about the other options and directing him to a booklet produced by the occupational scheme if he wanted more information.

I appreciate how disappointing my decision will be for Mr M. In 1996 he had a reasonable expectation that, had he continued with his AVC payments up to retirement, he would have been able to retire early with no reduction to his pension income. That didn’t actually happen, in part since Mr M stopped his AVC payments, but mainly due to changes in investments returns and annuity rates. But I think the advice and information that Prudential gave him at the time was reasonable, and in line with what I would expect.

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 Mr M to accept or reject my decision before 25 March 2021.

Paul Reilly
Ombudsman