

The complaint

Mr C complains that The Prudential Assurance Company Limited failed to provide him with sufficient information when he used some AVC pension savings to purchase an annuity in September 2008. And he has also complained that more recently Prudential failed to update his address on its systems and sent the outcome of a review of the annuity sale to an incorrect address.

What happened

Mr C held pension savings with Prudential – these had been accrued as a result of Additional Voluntary Contributions (“AVC”) Mr C had made alongside an occupational pension scheme. In 2008 Mr C was made redundant and retired from his occupation. And as a result of the rules of the AVC scheme he was required to take benefits from those pension savings at the same time, and in the form of an annuity.

Mr C requested a number of different quotations from Prudential in June 2008, and he requested further quotations the following month. He was sent those quotations by post along with information about the different ways his benefits could be structured. Mr C completed and returned an application to Prudential for his pension benefits in September.

In October 2020 Prudential wrote to Mr C to let him know that it was conducting a review of historical annuity purchases that had been made without the assistance of a financial advisor. It let Mr C know that his annuity purchase was included in the review and asked him for some further information about his health and circumstances in 2008. Shortly afterwards Mr C provided Prudential with an updated address for writing to him. And around the same time Mr C returned the forms containing the information that Prudential needed to complete its review of his annuity purchase.

Prudential provided the outcome of its review to Mr C at the end of October. It sent that letter to Mr C’s previous address. Although the letter was ultimately sent on to Mr C, its arrival was delayed. Prudential’s letter explained that its review had concluded that Mr C had been given sufficient information about his options before the annuity had been sold. So it didn’t think any compensation needed to be paid in relation to the sale of the annuity.

Mr C made his complaint to Prudential. Prudential didn’t conclude that the outcome it had reached in its review of the sale of Mr C’s annuity had been incorrect. But it apologised for sending the letter to the wrong address and paid him £50 for the trouble and upset he’d been caused. Mr C didn’t accept that outcome so brought his complaint to this Service.

One of our investigators has looked into Mr C’s complaint. He also found that the information Mr C had been given before he was sold the annuity had been sufficient. And he thought that the compensation Prudential had paid to Mr C as an apology for sending the review outcome letter to the wrong address was reasonable. So he didn’t think the complaint should be upheld.

Mr C 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 C 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.

At the outset I think it is useful to reflect on the role of this service. This service isn't intended to regulate or punish businesses for their conduct – that is the role of the Financial Conduct Authority. Instead this service looks to resolve individual complaints between a consumer and a business. Should we decide that something has gone wrong we would ask the business to put things right by placing the consumer, as far as is possible, in the position they would have been if the problem hadn't occurred.

I will deal first with the letter that was sent to Mr C giving him the outcome of the review. It is clear that letter was sent to Mr C's previous address. But it is equally clear that Mr C received it relatively soon after it had been sent. He complained to Prudential about the outcome around two weeks later. Prudential has explained why the letter was mis-addressed. It says that it used a separate system to handle the review activities, and it had failed to update Mr C's address on there. It was only updated on its main systems. That seems entirely plausible to me and I have no concerns that Prudential might have been trying to hide the review outcome as Mr C suggests. I think that the compensation that Prudential paid to Mr C of £50 was fair and reasonable in the circumstances.

I have looked carefully at the information Mr C was sent at the time he was considering the purchase of the annuity. I have noted that Mr C says he doesn't recall receiving the information that Prudential says was sent. But I can see that it was sent to his correct address at that time, and that he completed and returned the application form that was included in the information. So, on balance, I'm satisfied that the information was most likely sent to, and received by, Mr C.

Mr C's complaint is that he had been diagnosed with some health conditions the year before. He says that those resulted in him being absent from work for around seven months. So I think it is reasonable to conclude that he would have been well aware of the severity of the issues with his health. When taking an annuity, it is sometimes possible to receive a better annuity rate when a consumer has underlying health problems. That reflects an expectation that on average people with underlying health conditions might not live as long as healthier individuals. And that possibility is what led to Prudential's review – it, and the regulator, was concerned that insufficient information might have been given to consumers about the enhanced annuities when they were considering the purchase of an annuity.

It might have been possible for Mr C to receive an enhanced annuity from Prudential. Or he could have transferred his pension savings to another provider (known as taking an Open Market Option or "OMO") and purchased an enhanced annuity from there. But the availability, and amount, of any enhanced annuity couldn't be guaranteed. Mr C would need

to provide medical information to the provider who could then assess what annuity payment might be appropriate.

The letter that Prudential sent to Mr C accompanying the quotations made him aware that he was able to take advantage of an OMO and transfer his pension savings to another provider. But it pointed out that Mr C might want to seek guidance from a financial advisor before he took that option. And it reminded Mr C that his annuity payments from Prudential would be guaranteed by the government should the company face problems making the payments in the future. But that guarantee would be lost if the pension savings were transferred to another provider.

The letter also explained to Mr C that he might benefit from an enhanced annuity from Prudential if he had a serious medical condition that might shorten his life expectancy. But it went on to say this option was only available for pension funds in excess of £20,000. At the time Mr C's pension savings with Prudential were valued at around £13,000. So it might be that this option was unavailable to Mr C from Prudential. But I think it would have at least drawn his attention to the availability of enhanced annuities.

So I think that the information Prudential sent to Mr C told him two things. It made him aware that in some circumstances an enhanced annuity could be paid if he suffered from a serious health condition. And it made him aware that he would be able to transfer his pension savings to another provider.

Prudential wasn't able to tell Mr C whether or not other providers might have been able to offer him an enhanced annuity – that would have been something he would need to research for himself. And I appreciate that Mr C says he was put off that option given Prudential's suggestion that he might need to pay for financial advice. But I can't conclude that it was unreasonable for Prudential to point that out to Mr C. It might have been sensible for him to take financial advice – particularly since he'd be giving up the government backed guarantee. And if he did take advice it's likely that he would have needed to pay the advisor.

So, to summarise, I think the information that Prudential provided to Mr C at the time he purchased the annuity was sufficient. I think he was made aware both of the existence of enhanced annuities, and that he could transfer his pension savings to another provider. It follows that I don't think the complaint should be upheld, or that Prudential needs to pay Mr C any further compensation.

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 C to accept or reject my decision before 6 April 2021.

Paul Reilly
Ombudsman