

The complaint

Mr S complains that the pension he is expecting from The Prudential Assurance Company Limited falls significantly short of the amounts that he was told to expect in the years following the pension plan being taken out.

What happened

Mr S opened a new pension plan with Prudential in March 1984. At that time he was 22 years old. He says that his mother had previously saved money on his behalf into a with profits fund provided by Prudential that had performed well. So when that policy matured he was advised to take out a pension plan. Mr S says that he wasn't given any key features documentation at the time of the sale, but was told that his pension contributions would benefit from tax relief so making the product attractive.

Mr S says that in the following three years he received letters from Prudential setting out the value of his pension when he reached retirement, and encouraging him to increase the contributions he was making to the pension plan. I will discuss those letters in more detail later in this decision as their content forms the basis for much of Mr S's complaint. He says those letters did not give any indication that the values quoted for his pension were subject to change, or investment performance. But the amounts that Prudential is now saying he will receive are substantially lower.

Mr S's complaint has been assessed by one of our adjudicators. He didn't think the advice, and information, Mr S had been given when the pension plan was sold in 1984 had been inappropriate. And he thought that the information Mr S had subsequently been sent made it sufficiently clear that any pension values were based on assumptions about investment performance and other market conditions. So he didn't think that the complaint should be upheld, or that Prudential needed to do anything to put things right.

Mr S didn't agree with that assessment. He didn't think that the information provided in the early years of his pension plan carried any caveats with regard to the pension that would be payable – he said the caveats only applied to the sections regarding increased contributions. So he thinks that the difference in value is attributable to poor management by Prudential of his pension savings. 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 S 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.

The sale of the pension plan to Mr S took place almost 40 years ago. So it isn't surprising that there is little documentary evidence from the time about how it was sold. I appreciate that Mr S has said he has a good recollection of what happened – but I am mindful that even the most careful of memories can, and do, fade over such a lengthy period of time.

There is little to persuade me that any recommendation that Prudential might have given to Mr S – to take out the pension plan in 1984 – was inappropriate. At that time, with profits investments were seen as providing an excellent opportunity for growth over the lifetime of the plan. And Mr S has said that he was able to afford the monthly contributions that he agreed to make. I haven't seen anything to make me think that an alternative pension plan – or indeed other savings vehicle - might have been better for Mr S's circumstances.

But sadly, over the years, the investment performance of plans such as the one sold to Mr S has not matched the reasonable expectations at the time. And I think that my choice of words is important here – when the plans were sold, the investment performance that was anticipated was entirely in line with the expectations of the regulator. Prudential, and other firms, were directed by the regulator about how they should assess the likely future investment performance of savings. So I don't think I can reasonably conclude that Prudential in some way misled Mr S about the amount of pension he might receive from the savings he was making.

Mr S has particularly highlighted some letters he received from Prudential in the early years of his plan. It seems to me that those letters were sent with the intention of encouraging Mr S to consider whether he should increase the contributions he was making each month to his pension savings. The letter he received in 1986 starts by saying;

“As you can see from the attached notice your pension at 65 will be £41,133 per year”

Mr S points out that statement did not suggest that the future value of his pension was subject to any future investment returns. But, in his response to our investigator's assessment he says that the wording on the letter was *“clearly an error on Prudential's part, they should have written ‘your pension is anticipated to be’”*.

I think that, in isolation, the statement above would appear to create a risk that a policyholder might think the pension amount was guaranteed. But importantly it also referred Mr S to an attached notice. That notice provided Mr S with two further pieces of information. It showed him a guaranteed pension amount of £1,445.08. And it described the amount of £41,133 as being an “illustrated pension on retirement”. So I think the document as a whole might have reasonably led to a conclusion that future investment performance would influence the ultimate pension that would be payable.

Also, on the first page of the letter, Prudential suggested that someone earning an average salary of £8,000 per annum in 1986, might expect to be earning over £226,000 when Mr S was due to retire in 2026. So I think that might also have underlined that the figures being provided by Prudential were based on its best estimates, at that time, of what might happen in the wider economy.

I can see that Mr S had some correspondence with Prudential in the late 1990s about a number of missing statements, and a change in the information it provided. Given those issues appear to have been dealt with at that time it wouldn't be right for me to consider them further in this decision. But Mr S does appear to have been sent annual statements after that time. And those have set out, even more clearly, the amount of guaranteed pension that his plan would provide.

I appreciate that the nature of Mr S's plan means that only some of his future pension amount would be guaranteed during its life. There was also provision for a terminal bonus to be added that would potentially increase the pension being paid – and since Mr S is still not at the plan's specified retirement age that bonus hasn't yet been determined. But I think over the years it should have been clear to Mr S that the amount of pension he was guaranteed to receive would be less than the amounts shown when he first took the plan out.

As I have said earlier, I don't find fault in the information Prudential provided about the potential pension payable when the plan was sold. But even after it became clearer that investment and economic conditions meant that those pension amounts were unlikely to be achieved, Mr S continued to contribute to the pension plan.

I accept that, with the benefit of hindsight, and the stronger regulatory environment that has evolved over the years, the wording of Prudential's letters in the early years of Mr S holding the pension plan might have been better. But I am not persuaded that better wording would have led Mr S to have acted any differently. If, as he suggests it should have, Prudential had told him that the amount of his future pension was only anticipated I doubt that he would have ceased his contributions to the plan. So even if I were to conclude that Prudential's communications were deficient, I wouldn't conclude they had caused Mr S to lose out.

So in summary, I don't think any advice that Prudential provided to Mr S to encourage him to start the pension plan would have been inappropriate. And I haven't seen anything to make me think that Prudential provided misleading information about the expected returns that might be achieved. Whilst those returns haven't in fact materialised I cannot conclude that is a result of a failure by Prudential to effectively manage Mr S's pension investments. And I don't think the information Prudential provided in the early years of the plan reasonably bound the firm to pay the full amounts it illustrated to Mr S.

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 S to accept or reject my decision before 25 August 2021.

Paul Reilly

Ombudsman