

The complaint

Mr and Mrs A have complained about The Prudential Assurance Company Limited. Mr A says that he wasn't made aware of the availability of an enhanced annuity when he opted for an annuity with the Prudential.

What happened

Mr A has an annuity with Prudential which he purchased in 2011.

Prudential wrote to Mr A in May 2019 and explained how the regulator, the Financial Conduct Authority (FCA), had asked it to review certain non-advised annuity sales. Mr A's annuity sale was included in the review.

As part of the review Prudential asked Mr A questions about his health and lifestyle and about his awareness of the option to shop around for an annuity when he made his purchase in 2011.

Mr A responded and disclosed that he did have a health condition in 2011 which he was taking medication for.

Prudential reviewed the non-advised sale but concluded that it had provided Mr A with enough information about the availability of enhanced annuities and his Open Market Option (OMO) when he purchased his annuity.

Mr A didn't agree and in July 2019, he wrote to Prudential to complain and asked for copies of all documentation issued to him at the time of the original sale. He also said he was not advised he could receive a higher income if he had a medical condition.

Prudential investigated the complaint but didn't uphold it. Within its final response letter, Prudential said:

"The retirement pack we sent to you in April 2011 provided information about a number of factors to think about when making your decision. This included an overview of what kinds of medical and lifestyle conditions might qualify you for an enhanced annuity.

It also explained you had the option to shop around to purchase an annuity (or other pension product). Within the pack we provided annuity quotes together with the relevant Key Features Document (KFD)."

Prudential also said that the FCA had determined that its standard packs were compliant with their requirements.

Mr A referred the complaint to this service where it was considered by an investigator. The investigator gave her view that the complaint should be upheld. In summary she said:

- Prudential didn't provide Mr A with advice, but it needed to provide information which was clear, fair, and not misleading.

- Enhanced annuities were only explained in the Key Features Document, which was made up of 28 pages. And enhanced annuities were not explained until page 16.
- Mr A said he wasn't told about enhanced annuities and the investigator felt that given the size of the documentation he may not have noticed the option. It wasn't signposted.
- The enhanced annuities section didn't mention the specific medical condition that Mr A had identified, and so it was understandable that he felt misled.
- There was nothing to suggest that enhanced annuities had been discussed in Mr A's calls with Prudential.

The investigator decided that the complaint should be upheld. She said that Prudential should establish whether Mr A was eligible for a higher annuity rate with the open market option. If he was, Prudential should compensate him for any past and future loss and pay him £300 for the upset caused by its failure to provide the correct information on his retirement options.

Prudential didn't agree. It said that the FCA had found its retirement packs to be compliant. So, it didn't agree that it did not provide Mr A with sufficient information in the retirement pack. Although the FCA did find some 'significant' calls with customers to be non-compliant, Mr A had two calls and neither of these was 'significant'. These recordings were sent.

On the annuity itself, Prudential said that Mr A's annuity plan held a valuable guaranteed basic annuity. A calculation was carried out, using the FCA calculator and the medical details provided by Mr A. The redress annuity was calculated as £1,605.03 per annum, but the actual annuity is £1,848.12 per annum. Therefore, Mr A has not been disadvantaged.

As no agreement was reached the case was referred to me for a final decision.

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've decided not to uphold this complaint or make any award. I've tried to explain to Mr A why I've reached a different conclusion to the investigator. Essentially, the calculation Prudential has carried out suggests that the annuity Mr A has is more valuable than any enhanced annuity he may have been able to achieve in 2011 at his retirement. The difference is considerable, and not just a small or marginal benefit.

Therefore, even if Prudential had got things wrong and failed to provide him with clear information, in my opinion that didn't make any difference and hasn't caused Mr A any loss. I'm satisfied that Mr A would have made the same choice that he did make even if he had shopped around for an annuity on the open market. I have no doubt that he would have selected the higher annuity with Prudential.

In recent years the annuity rates available on the open market have decreased, mainly due to low interest rates and increasing life expectancy. These are some of the factors which mean that annuity rates that were guaranteed and locked in years ago are now very attractive compared to what Mr A could have achieved when he came to retire. The calculation Prudential has carried out demonstrates that the guaranteed annuity rate is higher than the FCA guidelines for an enhanced annuity that may have been available for Mr A.

I note there has been some confusion about telephone calls with Mr A from the time the annuity was arranged. But there's no suggestion that these calls should have impacted on the choices Mr A made. The content of the calls was largely administrative. But in any event, the point remains that even if the calls were defective in some way, this hasn't caused Mr A any loss. The annuity he has was the better choice for him in any event.

My final decision

I don't uphold this complaint as there is no loss.

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

Keith Taylor
Ombudsman