DRN-2926344

Financial Ombudsman Service

The complaint

Ms M complains Prudential Assurance Company Limited unfairly deferred her pension policy passed her selected retirement date causing her a financial loss.

What happened

Ms M has an Additional Voluntary Contribution (AVC) pension plan with Prudential Assurance Company Limited ("Prudential"). It was set up with a selected retirement date ("SRD") of her 60th birthday 6 April 2020.

Ms M says leading up to her SRD which was during "lockdown", she found it difficult to contact Prudential, and promised call-backs didn't occur. As she hadn't made a decision about taking her benefits in time for her SRD, Prudential informed her it would be making a Market Value Reduction (MVR) to her plan and amended her retirement date to her 75th birthday in 2035. Ms M accepts businesses like Prudential were facing challenges due to the pandemic. But in view of the communication difficulties she wants Prudential to not apply a MVR and enable her to take benefits as planned.

Prudential apologised for the poor customer service Ms M had experienced including not returning her 28 May 2020 call as promised, so offered £125 for that. But it said the application of the MVR and the deferment of the policy until her 75th birthday was set out in its terms and conditions. However it offered that if Ms M made a claim within the six weeks from its final response letter in July 2020, it would carry out a review to ensure she didn't suffer a financial loss.

Ms M decided not to claim her benefits on the policy, but instead referred her complaint to this service. She said she didn't want compensation she just wants Prudential to agree not to apply the MVR.

One of our investigators reviewed the complaint but didn't think Prudential had acted unfairly. She noted Prudential had written to Ms M in October 2019 and January 2020 in advance of her SRD, and provided information to three different financial advisors ("E", "H" and "P") who were acting for Ms M. She said the retirement pack and reminder explained that if Prudential didn't hear from Ms M prior to her SRD, the policy would be deferred to her 75th birthday. She acknowledged Ms M's difficulties in contacting Prudential by phone, but didn't think Prudential had caused delays in Ms M being able to claim on the policy. It had sent the pack and reminder in good time and had responded promptly to enquiries from her advisers. The terms and conditions state that an MVR can apply at any time except SRD or death. And she felt £125 was fair for the customer service issues.
Ms M was unhappy the investigator had favoured Prudential's "*interpretation of the information and events*". She said Prudential had only sent general promotional leaflets not a proper valuation of her policy or confirmed final bonus, and these hadn't been supplied to her advisers either. She said it makes no sense to apply a MVR at 75 when she's eligible for the state pension at 66, and thought it best not to claim on the policy while her complaint was under investigation.

Our investigator considered these comments. She confirmed she'd seen the information provided by Prudential to Ms M and her three financial advisers, but they hadn't told Prudential the choice Ms M wanted to make. It wouldn't be possible for Prudential to provide a final figure until it had received Ms M's completed discharge form or retirement pack. She couldn't confirm whether or not a MVR would definitely apply, although the terms and conditions say it might. And if Ms M wished to claim on her policy she'd need to contact Prudential. But didn't think it needed to do more in respect of Ms M's complaint.
Ms M said she was being disadvantaged by Prudential's inability to effectively communicate during lockdown. So she asked an ombudsman to make a 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.

Having done so, I'm not going to uphold it. Let me explain why. I can see the investigator set out a timeline of events leading up to the complaint. But I think it's useful to repeat the key events here, which are based on evidence I've seen.

8 October 2019 – Prudential sent Ms M a retirement pack which gave a current, non-guaranteed valuation of her plan as around £37,525. Among other things it told her she should think carefully about what she wanted to do, suggested she take financial advice or consult the free Pension Wise service and that "*if we do not hear from you before a plan's retirement date has passed, we'll extend that plan's retirement date to your 75th birthday*". It also warned that a MVR may apply.

27 January 2020 – Prudential sent Ms M a retirement pack reminder with a non-guaranteed valuation of around £38,078. It repeated the suggestions about financial advice and the warning about deferment to her 75th birthday.

11 March 2020 – Prudential received a letter of authority from Ms M's adviser E requesting information about her plan.

15 March 2020 – Ms M signed a letter of authority for H.

16 March 2020 – Prudential provided E with a current non-guaranteed fund value and transfer value, the estimated final bonus, policy information, a MVR factsheet, as a MVR may apply unless on death or SRD. And it explained what Ms M would need to do if she wished to transfer away.

20 March 2020 – H submitted its information request to Prudential.

23 March 2020 – Prudential sent a similar pack of information to H.

29 March 2020 – online messages from Ms M asking if her plan valuation of around £38,000 was guaranteed and if a MVR would apply. She wanted the final figure to arrange a fixed term annuity.

31 March 2020 – another online message from Ms M saying her plan is due to mature on her birthday. She asked how long she could keep it "*given the current crisis*". She mentioned nobody was answering calls or responding to messages. And asked if the final figure was guaranteed or if a final bonus or MVR would apply.

1 April 2020 – H requested further information from Prudential about Ms M's policy including investments, charges and options.

6 April 2020 – Ms M's 60th birthday/SRD.

7 April 2020 – Prudential wrote to Ms M advising that as her SRD had passed, without her taking benefits, her retirement date had been amended to 6 April 2035 when she'd be 75. It said she had to take a decision about her pension before then, but no MVR would apply on her retirement date.

8 April 2020 – Ms M spoke to Prudential asking for a final value. She asked if there would be a charge for her policy being deferred. She was told there's no charge but a MVR may apply, and that her queries would be covered by Prudential's 7 April letter which was in the post.

9 April 2020 – Prudential sent bonus rates to H and responded to Ms M's secure message that her requested information would be sent by post. It sent Ms M a retirement options pack, with a current non-guaranteed valuation around £40,175, with her retirement age shown as 75.

21 April 2020 – Ms M's new adviser P provided her letter of authority to Prudential.

22 April 2020 – Prudential provided a retirement pack to P showing Ms M's retirement date as 6 April 2035 and noting that a MVR applies.

28 April 2020 – P chased Prudential for a response to their request.

30 April 2020 – another pack provided to P with Ms M's retirement date as 2035 and an MVR of around £997 being applicable.

Prudential admitted it had sometimes been difficult for its customers to make contact by phone during this time for reasons relating to the pandemic. And while I haven't seen records to show how many times Ms M tried to get in touch with Prudential, her message on 31 March 2020 suggests she'd made a number of attempts and was becoming frustrated. It was important for Ms M to speak to Prudential to discuss her options, or for an adviser to give her a recommendation about what to do.

It seems Ms M didn't act on the retirement packs sent to her in October 2019 and January 2020. I think Prudential sent these well in advance of her SRD to give Ms M enough time to read the information and discuss her options with Prudential or an adviser if she wished, prior to 6 April 2020. Ms M appointed the first adviser E on 11 March 2020 which was just over three weeks prior to her SRD. Before Prudential responded to E, Ms M had already appointed a different adviser H. Prudential provided H with information about Ms M's plan on 23 March 2020, two weeks before her SRD, and a week later on 1 April 2020 H requested further information. I'm satisfied Prudential responded in a timely manner to these information requests, so I can't say Prudential unfairly caused delays. But I think starting the process so late meant it was always going to be tight for Ms M to make her decision prior to her SRD, particularly as this coincided with the start of the national lockdown when businesses had to adapt rapidly to working from home. Even if staff could access systems remotely, call handling was often more difficult.

None of the packs could provide a guaranteed final figure, as until Ms M provided her instructions all figures are subject to change and won't include the final bonus calculation, which was made clear in all the correspondence to Ms M and to her three financial advisers. All packs contained the warning about a MVR, and deferment of the policy if Ms M didn't take benefits prior to her SRD. So I think she ought reasonably to have been aware of this.

Ms M herself, E and H all received information from Prudential ahead of Ms M's SRD of 6 April 2020, whereas P first contacted Prudential on 21 April 2020 when her SRD had already been amended to 2035;

The policy terms set out that there are times when a MVR won't be made, and these are the policy-holder's SRD and on death. But one may apply at any other time, so I don't think it was unfair of Prudential to inform Ms M that one may apply but not to be able to confirm if it definitely would. To be clear a MVR isn't a penalty. It's designed to protect the interests of everyone invested in the with-profits fund, particularly during periods of volatility. It's applied to ensure that the benefit being given to one policyholder isn't unfairly higher than their share of the value of the underlying assets in the fund. Ms M was clearly aware that it was possible a MVR may apply to her policy as she asked about it in late March 2020, which was around the time of market volatility related to the pandemic, and only a week prior to her SRD. And when Ms M didn't take benefits by her SRD, Prudential was entitled to amend her retirement date to her 75th birthday which is the date by which she must take benefits. It doesn't mean she has to wait until then, but under the policy terms, and all the correspondence she and her advisers had been sent, a MVR may be applied until then.

Prudential acknowledged it hadn't returned Ms M's calls in May 2020. In view of the poor customer service, Prudential offered that if Ms M took her benefits from her policy within six weeks of its final response letter dated 30 July 2020 it would assess whether she'd suffered a financial loss. It didn't agree to waive the MVR if one applied, but to compare the position she'd have been in had the call taken place as it should have (and Ms M had decided to take benefits then). And it paid Ms M £125 to apologise for the poor service. I think this is fair.

Ms M hasn't taken advantage of Prudential's offer, as she wanted this service to review her complaint first, which was her choice. But in any case, even if Ms M had spoken to Prudential in May 2020, as this was still after Ms M's SRD of 6 April 2020 it wouldn't have changed her position with regard to the MVR. So I'm not going to ask Prudential to do anything more.

My final decision

I don't uphold this complaint and make no further award.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms M to accept or reject my decision before 27 May 2022.

Sarah Milne
Ombudsman