

## The complaint

Miss M complains about the poor service she received from The Prudential Assurance Company Limited (Prudential). She also complains about the Market Value Reduction of over £2,820 it applied when she transferred her pension pots to another provider.

## What happened

In early 2020 Prudential wrote to Miss M, as she was approaching her Selected Retirement Date (SRD) in August 2020. The pack it sent included information on retirement options, a pension summary, and a fund value illustration. The pack was intended to provide Miss M with the information she needed to make a decision on whether to take her pension benefits at her SRD, and if she did want to take the benefits, how to get information and advice on the options available.

The information also set out under the heading 'market value reduction':

*If you are invested in the With-Profits Fund and choose to take your benefits earlier than your selected retirement date, we may apply a market value reduction (MVR) which will reduce the value of your fund.*

*The current pension fund value shown above includes any MVR currently applicable at the assumed retirement date, however this value could change between now and when you take benefits.*

I understand that a separate document titled, 'Market Value Reduction – A clear explanation' was also included in the pack sent to Miss M. This explained that a MVR wouldn't be applied if Miss M took her pension benefits at her selected retirement date, but could be applied, if appropriate, if Miss M took her benefits or transferred her pension pots to another provider at any other time.

In late May 2020 Prudential wrote to Miss M again. It provided an up-to-date fund value and asked Miss M to get in touch with it as her SRD was fast approaching. It enclosed a postponement form in case Miss M wanted to defer taking her benefits and said that if it didn't hear from Miss M by her SRD, it would amend her retirement date to her 75<sup>th</sup> birthday.

Miss M phoned Prudential on 9 June 2020 to discuss taking her pension benefits. It appears that this call was cut off part way through. I understand that Prudential did not attempt to call Miss M back and as there was a long wait time to speak to an adviser Miss M says she decided to write to Prudential instead.

Miss M wrote to Prudential later that day and asked it to provide an illustration of the benefits she would receive at her SRD, 5 August 2020. She also asked it to provide a transfer value for her pension pots if she chose to move to another provider. It appears from this letter that Miss M didn't know that Prudential no longer offered annuities.

Miss M then called Prudential again on 11 June 2020. The representative she spoke to told her that Prudential's computer system was 'down' and made a note of Miss M's queries and said a call back would be arranged to answer the questions raised.

For whatever reason Prudential failed to call Miss M back. It also says it did not receive the letter Miss M had sent, dated 9 June 2020.

It appears that a retirement options pack was sent to Miss M on 19 June 2020. Another pack was sent on 17 July 2020.

As Miss M hadn't received a call back or a response to her letter, she phoned Prudential again on 24 July 2020. In this call Miss M explained that she had written to Prudential asking for information and explained that she was '*...due to take my pension on 5 August*'.

During the call the MVR was discussed. The representative said that a MVR would not currently be applied to the with-profits fund she was invested in, but explained that this could change '*on a daily basis*'. She also explained a MVR would not be applied if Miss M took her benefits on her SRD.

Following this call Prudential wrote to Miss M to confirm that no early retirement charge or transfer charge applied to her plans.

On 6 August 2020 Prudential wrote to Miss M again noting that her SRD had passed. It said that as Miss M had not provided new instructions regarding her SRD it had updated its records to reflect a retirement date of 5 August 2040.

On 7 August 2020 Miss M's financial adviser contacted Prudential requesting plan information to enable a transfer of Miss M's pension pots. This information was sent to Miss M's financial adviser on 10 August 2020. The information noted that an MVR could be applied if Miss M decided '*... to take your benefits before or after the date you reach your selected retirement age.*'

Miss M's pension pots were then transferred to a new provider. Miss M took a tax-free cash lump sum and the remaining funds were used to purchase a temporary annuity.

Miss M's new provider told her that Prudential had applied a MVR of over £2,820.

Miss M complained to Prudential in late August 2020. She said she felt it was very unfair that an MVR had been applied as she felt she had made clear to Prudential from early June 2020 that she intended to take her pension benefits as soon as she reached her 55<sup>th</sup> birthday.

Prudential upheld Miss M's complaint in part. It accepted that the service Miss M had received '*could have been better*'. It offered to pay Miss M £200 to compensate her for its poor service. But it said it was not willing to waive the MVR that had been applied as it said the information it had sent to Miss M had explained that a MVR could be applied unless she took her benefits at her selected retirement date.

Miss M was not satisfied with Prudential's response and referred the matter to this service.

Having considered the complaint our investigator said he was of the view that Miss M's complaint should be upheld. He accepted that Prudential had made Miss M aware that a MVR might be applied to her pension pots if she didn't take her pension benefits on her SRD.

But he said he felt that Prudential's failure to call Miss M back as promised in June 2020 had caused delays that led to Miss M not being in a position to take her benefits on her SRD. In order to put matters right he said Prudential should pay compensation to, as far as possible, put Miss M back in the position she would have been in if no MVR had been applied.

Prudential did not accept our investigator's view. It said, in summary, that Miss M had waited '*some six weeks*' before she chased up its failure to return her call or reply to her letter.

It said it did not accept that when Miss M spoke to its representative on 24 July 2020, she had made a '*formal or explicit request to set up an annuity and take a lump sum, as eventually happened*'. It said Miss M and her financial adviser '*were already aware of deadlines and requirements at this stage*'. And it said it didn't accept our investigator's view that the call handler should have '*...highlighted that the SRD was only eight working days away*' as it felt that '*all parties were already aware of this*'.

It also said it didn't accept that its failure to return Miss M's calls in early June 2020 had a '*material impact on the timeline of events*'.

As Prudential did not accept our investigator's view the complaint has been passed to me to determine.

### **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 think Miss M's complaint should be upheld. I'll explain why.

It is not in dispute that Prudential wrote to Miss M in early 2020 about her upcoming SRD, nor is it in dispute that it sent follow-up letters. I am satisfied that the information sent to Miss M included an explanation of the MVR that applied to the with-profits fund Miss M was invested in.

However, having listened to the call recordings that Prudential has supplied to this service, I don't think that Miss M understood that she wouldn't be able to arrange an annuity with Prudential when she contacted it in June 2020. It appears from the conversations Miss M had with it that she thought it still offered annuities.

It is also clear from the conversations I have listened to that Miss M wanted to take her pension benefits as soon as she reached her 55<sup>th</sup> birthday. I note that at no point in the calls did Miss M express any intention to defer her SRD and the main focus of the calls was exploring how she could take her benefits.

It is very unfortunate that Prudential did not receive the letter Miss M sent to it in June 2020 and also failed to call Miss M back as it had promised.

I have carefully considered Prudential's claim that Miss M is at fault because she waited '*some six weeks*' before she chased it for a response. Having done so, I don't think it is reasonable for Prudential to hold Miss M even partly responsible for its failings. Miss M was pro-active, and I think she took sensible steps to determine what additional information she needed from Prudential in order to decide what to do with her pension pots.

This is reflected in the letter Miss M sent setting out the information she wanted Prudential to provide and in the calls Miss M had with it. I note that Miss M asked if she could read out these questions when she called Prudential on 24 July 2020.

Prudential says it didn't call Miss M in June 2020, despite having promised to do so, as. *At this time, as such was the position with a lot of businesses, we were having to work differently due to the Government guidance around the Covid-19 outbreak. Miss M did not contact us again to progress the claim, as mentioned above, until some six weeks later.*

I appreciate Prudential's position, but I must take into account that in the call on 11 June 2020, Miss M told its representative that she wanted to make 'some decisions' as her SRD was less than two months away. Given that Prudential knew Miss M wanted information on her pension pots to help her decide what to do and her SRD was fast approaching I think it is unsatisfactory that it didn't call Miss M back as promised.

When Miss M called Prudential again on 24 July, she explained that she had written to it in June but hadn't had a response. The MVR was discussed in the call, but having very carefully considered the contents of this call I think the representative should have done more to ensure Miss M understood that if she took her pension benefits at her SRD on 5 August 2020 she would not incur a MVR on her pension pots. But if she did not manage to transfer her benefits on her SRD, she might incur a MVR.

Likewise I think that if Prudential had returned Miss M's call in June 2020 she would have had more time to discuss her requirements with her financial adviser and could have planned to take her benefits on her SRD, to ensure that she did not incur a MVR.

I think both Miss M and the companion who was also party to the call with Prudential on 24 July made it clear that Miss M did want to take her benefits at her SRD. In view of this I think the representative should have done more to make sure Miss M understood that she had a very short deadline to arrange an annuity with another provider, if she wanted to be sure of avoiding a MVR.

Having carefully considered this matter my decision is that Miss M's complaint should be upheld. I have set out below how I think this complaint should be fairly settled.

### **Putting things right**

The aim of this redress is, as far as possible, to put Miss M into the position she would now be in had the MVR not been applied.

My intention is to take account of the missed past income and the expected lower future income, until the maturity date of the temporary annuity Miss M took out.

In addition, the capital value of the temporary annuity will be lower at maturity than if no MVR had been applied.

To settle the complaint, Prudential should ascertain, calculate and pay, (C), (H) and (I) as set out below.

I note that Prudential has already paid Miss M £200 for the poor service she received. This redress is in addition to the £200 already paid.

### **Past income loss:**

A) Total of all the notional payments which Miss M should have received (had no MVR been applied), net of her marginal rate of tax, from the date the temporary annuity was arranged, to the date of settlement.

B) Total of all the payments Miss M has actually received from the annuity, net of her marginal rate of tax, from the date the temporary annuity was arranged, to the date of settlement.

C) Past Loss = A – B.

Prudential should also pay 8% simple interest per year on this amount to compensate Miss M for the loss of the use of this money.

**Future income loss:**

D) The notional gross pension per year which Miss M should have been receiving (had no MVR been applied) from the date of settlement to maturity of the temporary annuity.

E) The actual gross pension per year Miss M will receive from the date of settlement to maturity of the temporary annuity.

F) Future Gross Loss per year = D – E.

G) Prudential should then calculate the cost of buying an annuity on the open market to replace any lost income in F. It will need to refer to published annuity rate tables and if appropriate, get a quote from a competitive provider.

H) The purchase price of the annuity found in G) is Miss M's gross future loss. This should be paid directly to Miss M as a lump sum after making a notional reduction to allow for income tax that would otherwise have been paid—presumed to be 20%.

I) Prudential should also calculate the difference between the expected maturity value of the temporary annuity and the notional value had the MVR not been applied. This should be paid directly to Miss M as a lump sum after making a notional reduction to allow for income tax that would otherwise have been paid.

**My final decision**

My decision is that I uphold this complaint. Prudential should calculate and pay the redress set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss M to accept or reject my decision before 23 June 2022.

Suzannah Stuart  
**Ombudsman**