

The complaint

Mr C complains that The Prudential Assurance Company Ltd failed to properly inform him of the availability of enhanced annuities or the option to shop around for a better annuity. And that when Prudential reviewed his case they failed to properly compensate him for its mistake.

What happened

In 2008 Mr C had used his Prudential pensions to purchase two separate annuities.

The Financial Conduct Authority (FCA) launched a review of non-advised annuity sales practices in 2015 and published its results in 2016. This was the FCA's Thematic review 16/7. It was concerned with whether pension providers were giving customers enough information, about the availability of enhanced or impaired life annuities or the option to shop around, for them to make informed choices. A consequence of this review was that some firms were asked to review non-advised annuity sales from 2008. Prudential was one of those firms.

As a result of the FCA directive, Prudential contacted Mr C to review the sale of the two annuities he'd taken with them in 2008. Mr C responded and provided a health and lifestyle questionnaire in August 2019. Prudential's initial assessment was that the sale of the annuities was compliant and that it didn't need to do anything further.

Mr C complained to Prudential because he didn't agree that they'd properly considered his medical circumstances. And that he wasn't sure how he'd chosen his annuity purchase.

Prudential responded by explaining that Mr C had completed a medical questionnaire for one of his annuities in 2008 and was already in receipt of an enhanced annuity for that one. But the larger of Mr C's two annuities was set up using a guaranteed annuity rate (GAR), which was higher than the enhanced annuity that Prudential offered at the time. But Prudential agreed that, because of the uncertainty of Mr C's recollections of the point of sale, it would calculate if redress was due.

On 20 December 2019 Prudential contacted Mr C to confirm that it had concluded its review. The review found that Mr C wasn't made properly aware of his options so should have been in receipt of a higher annuity. The redress calculation informed Mr C that both of his annuities would be uplifted, and he would be paid compensation for his lost income plus interest.

Mr C complained to Prudential that he was unhappy with the amount of redress he'd received and didn't think that the increase in his annuity was high enough or that all of his medical conditions had been taken into consideration. He also complained about the time taken and service he'd received.

Prudential didn't uphold this complaint. It thought that it'd considered Mr C's case in accordance with their agreement with the FCA. It believed that Mr C's medical history had been considered and the redress calculations complied with the FCA directive. Prudential

explained that the redress calculation had been done by independent actuaries and included historical information relating to open market annuity rates to compare what he had received from Prudential with what could have been available. Prudential offered Mr C £75 in compensation in recognition of the time taken to complete the assessment of his annuities and the service Mr C received.

Mr C was unhappy with Prudential's explanation and brought his complaint to us. Our investigator looked into it but didn't uphold it. He thought that the way that Prudential had handled the review of Mr C's annuities was fair and didn't think they needed to do anything else. Mr C didn't agree and this case has been referred for an ombudsman's 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 understand that Mr C will be disappointed but I'm not upholding this complaint. I'll explain why.

I can understand the frustration that Mr C had with his experience of this review process. I'm not sure that the way Prudential communicated the timescales and the outcome helped Mr C accept the result. But the main crux of the complaint is whether Mr C was treated fairly regarding his annuity purchases in 2008, and if not, has enough been done to put things right.

The outcome of Prudential's review of Mr C's annuities indicates that there were, more likely than not, failings in the process. So I don't need to explore or comment further on that. What I've need to address is whether Prudential have put things right in a fair or reasonable way.

They have contracted out the task of calculating redress to independent actuaries who they explain have carried out the redress calculation in accordance with FCA guidance. I think that this is a fair way to seek to put things right. I know that Mr C has been told that our service cannot carry out independent calculations to check the result he was given. But I have looked at the questionnaires that Mr C and his wife completed to enable the review to be done. And can see that the assumptions used for the redress calculations match the information that was provided. So I've seen no evidence that would cause me to think that the redress outcome that Mr C was given was flawed.

I have considered why Mr C thinks the outcome is too low. He has searched the internet and has compared his outcome with what he thinks are the average outcome for other consumers who have been through this process. Each individual case has to be considered on its own merits though. So comparisons like the one Mr C has made are difficult and often unhelpful. For instance, Mr C's existing annuities weren't based on ordinary open market rates. One of his annuities had a GAR so was likely already a higher annuity than may have been available on the open market without enhancements. His other annuity had already been enhanced by Prudential, even though that enhancement may not have been as valuable as available on the open market. So the percentage increases in his annuities is more a reflection of the original annuity values and is less important than the final value offered. And I've seen no evidence to cause me to believe that the corrected enhanced annuities are incorrect.

The time taken by Prudential to complete the process plus the fact that he didn't get this answer in the first place will have been inconvenient for Mr C. But for about 11 years prior to being contacted about a review of his annuities, Mr C had no reason for concern about his annuity levels. So I think any uncertainty that he experienced about his future income levels

was short. Prudential have apologised and paid Mr C £75 for the distress and inconvenience caused by the process. Which I think was a fair offer and I won't be suggesting Prudential do anything further.

My final decision

My final decision is that I don't uphold Mr C's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C to accept or reject my decision before 19 October 2021.

Gary Lane
Ombudsman