

## The complaint

Mr A complains that The Prudential Assurance Company Limited (Prudential) switched his pension investment into a cash fund without advising him resulting in poor investment returns over many years. He wants compensation for the lost investment return.

## What happened

Mr A took out a pension plan originally with M&G which was invested in the M&G Building Society Pension Fund. This fund was closed by M&G in 1997 and investments in it were switched to a cash fund. Prudential acquired M&G in 1999.

Mr A says he wasn't aware of this and complained to Prudential in February 2021 that he hadn't been advised that his fund was being switched into cash in 1997. He said this had caused him losses as he should have been switched into a more *"typical pension fund capable of delivering a return of about 7% p.a."* He says his fund was around £4,700 in 1997 but would have been worth around £24,000 if it had been switched into an appropriate alternative. He said this had been *"ruinous"* and Prudential had *"effectively robbed"* him of his pension pot. He said any default action should have been in his best interests.

Prudential didn't uphold his complaint. It said investment returns weren't guaranteed and that M&G had written to Mr A in 1997 to advise that the fund was being closed. And, that if he didn't contact it to instruct otherwise his pension would be switched into the cash fund. It said it had sent Mr A statements each year giving the value of his pension and details of where it was invested. It said it wasn't its responsibility to track investment returns.

Mr A asked Prudential to provide a copy of the letter from 1997. It said due to the length of time involved it couldn't locate a copy of this. But that the decision to use a cash fund as the default option was appropriate as it offered stability and mitigated risk.

Mr A referred his complaint to our service and our investigator looked into it, but he didn't uphold it.

Our investigator said Prudential hadn't provided Mr A with any financial advice, so it wasn't required to assess the suitability of his pension investments. He said given the length of time involved it wasn't surprising Prudential didn't hold a copy of the letter about the closure of the fund. He said under the Terms and Conditions (T&C's) of the pension plan Prudential was entitled to make a legitimate business decision to make the switch in the absence of a response from Mr A.

Our investigator said that the annual statements sent to Mr A provided adequate information for him to realise where he was invested and prompt him to take financial advice if he was unsure about anything.

Mr A made a number of points:

- Prudential hadn't drawn his attention to what had happened and that he wasn't *"sophisticated enough"* to understand that the information on the statements meant

he was investing in cash as the word “*fund*” was misleading. He said he thought as a pension company, Prudential would be investing his funds “*in a way that was consistent with pension growth*”,

- He said it wasn’t a legitimate business decision to invest his pension into a “*completely dormant account for over 30 years (sic)*” that was demonstrably not in the interests of any pension saver and his pension was not invested in “*anything*”

As Mr A doesn’t agree it has come to me to decide.

### **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 am not upholding the complaint.

I understand Mr A’s frustration here and appreciate the potentially significant sums involved, but I don’t think Prudential has treated him unfairly. Pension providers do close and merge investment funds on a regular basis and aren’t obliged to keep any fund open if they don’t want to. When funds are closed the default option in the absence of a directly comparable alternative or instructions from the investor, is often some sort of cash fund.

Prudential hasn’t been able to provide details of the M&G Building Society Fund, given the time that has passed. But this type of fund was offered by many pension providers during the 1980-90’s. They were invested in deposit accounts with various building societies and so, were effectively cash funds.

I disagree that a cash investment is “*completely dormant*” as Mr A has said, but agree it generally isn’t considered a good longer-term investment. As Mr A will be aware interest rates have been much lower over the last fourteen years or so than they were previously. As M&G wasn’t advising Mr A about investments, I don’t think its selection of a cash alternative as the default fund option was unreasonable in the circumstances and it appears this was a similar investment to the fund being closed.

Mr A says he didn’t receive the letter telling him the fund was to be closed and I don’t doubt that these are his honest recollections. However, I also have to consider it’s possible he simply has forgotten about receiving this letter given this happened 25 years ago. And, unfortunately, whilst most post is successfully delivered, not everything is. So non-delivery is also a possibility. I wouldn’t expect Prudential to now locate copy correspondence from such a long time ago, but without it I appreciate I don’t know for certain whether it was sent or not and what exactly the letter said.

Where evidence is incomplete or contradictory, I need to decide what I think most likely happened on the balance of probabilities and I’ve no reason to think that the letter wasn’t sent. I say that because when a business decides to close a fund it is usual practice to select a replacement and inform customers, so on balance I think it’s more likely than not that M&G did send that letter.

As Mr A acknowledges he did receive statements each year that gave a valuation and detailed where his investment was held. He says he didn’t understand the information presented, but Mr A also said that over the years he had:

*“seen many structural changes in the financial portfolios that I hold and have been faced with default actions on several occasions. On every occasion the default action is one that is broadly in my best interests.”*

This does suggest that Mr A did take stock of his investment arrangements from time to time. And I think the modest returns being provided by the cash fund held here would have been apparent to him in comparison with his other investments. So, I think Mr A had sufficient information over the years to query what was happening if he was unsure about it.

Taking everything into account I don't think Prudential has treated Mr A unreasonably. It wasn't required to monitor or advise Mr A about the performance of his pension investment. And, I think it provided sufficient information on an ongoing basis for him to make his own assessment and either raise queries or take financial advice if he was unsure.

### **My final decision**

My final decision is that I do not uphold the complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr A to accept or reject my decision before 28 September 2022.

Nigel Bracken  
**Ombudsman**