

## **The complaint**

Ms M complained about advice she received in the late 1990s to take out a free-standing additional voluntary contribution (FSAVC) plan.

Ms M says she wanted to increase her pension provision and the recommendations she received weren't suitable. She implies if she'd been given the right information about her options, she would have acted differently, including using additional voluntary contributions (AVCs) linked to her employer's 'in-house' occupational pension scheme (OPS). Ms M therefore says she has lost out financially because of this.

The Prudential Assurance Company Limited has accepted responsibility for answering this complaint. Ms M is being represented in her complaint by a claims management company. So, to keep things simple, I'll refer mainly to 'Prudential' and 'Ms M'.

## **What happened**

Ms M had been employed in the teaching profession since 1997 and had been a member of her employer's OPS - a large public sector scheme - since starting.

It seems that just a few months after starting teaching Ms M wanted to enhance her pension provision. So, in February 1998, she met with an adviser who recommended that she start contributing to an FSAVC plan in addition to the OPS she was already a member of. Ms M was around 37 years old at the time.

As the name suggests, FSAVCs are free standing, which means they are not tied to the employer, but typically run alongside the OPS. The FSAVC plan commenced with Ms M making a monthly contribution of £20 (gross).

One of our investigators looked into the complaint and didn't think we should uphold it but Ms M didn't agree. As the complaint couldn't be resolved informally, it's been passed to me to make 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'm sorry to disappoint Ms M, but I'm afraid I'm not upholding her complaint.

I've considered what was expected of the adviser as they were a 'tied' appointed representative of the company at the time. Before 1996, the regulator required company representatives to exercise due skill, care and diligence in dealing fairly with investors. However, in 1996 it issued an update called "RU20" which set out the procedures it expected product providers to follow, although this wasn't new guidance but restating what was already in place. The update said that a tied adviser shouldn't recommend their own company's FSAVC until they had:

- Drawn the client's attention to the in-scheme alternative;

- Discussed the differences between the two routes in generic terms;
- Directed the client to their employer, or to the scheme trustees, for more information on the in-scheme option.

As I've said, Ms M was a member of her profession's OPS which had 'in-house' AVCs available for those who, like her, wanted to top up their pension provision. These AVCs were most likely to have been offered by a different provider, so Prudential would not have been required to provide a detailed comparison of the products to Ms M during that process. Instead, Ms M should have been told that 'in-house' options were available and also about the generic benefits of those options including that fees and charges in the AVC scheme would likely be lower than an FSAVC one.

I have looked at the documentation we have from the sale. Considering all the documents as a whole, I think it is fair to say there was clearly a substantial discussion between Ms M and Prudential about her financial situation. What flowed from this was a written summary for her - a '*Personal Financial Review*' - which set down what had taken place. I note Ms M signed this document.

In referring to that document, I think it's reasonable for me to conclude that what Ms M was given was a summary of a wider discussion that had taken place about her options. For example, the existence of 'in-house' AVCs, and the generic differences between AVCs and FSAVCs, were explained. This would have helped her to make a decision about what she wanted to do. I think the discussion captured how her OPS worked, how it was structured and benefits she could accrue given that she had joined the scheme at a comparatively late point. During their discussion it was explained that Ms M would, on a current trajectory, accrue only 23/80ths in her OPS which would be significantly short of a 'full' pension by age 60. There were also calculations used to demonstrate this potential shortfall.

I therefore think that as well as the generic differences in the options available, it's likely Ms M's OPS was discussed in some detail. She was directed to its main provisions and that more information could be obtained. In short, I think the bullet points I've mentioned above were probably covered when she met the adviser.

#### was Ms M given the right advice?

Specifically in relation to the FSAVC versus AVC option, I note Ms M had only really just taken up her career a few months before. Comments made in the review (discussed above) are therefore consistent, in my view, with her personal circumstances. It was also recorded that during the meeting Ms M expressed a cautionary note about her future career pathway. It's clear from what I've seen that Ms M said she wanted a degree of flexibility when choosing any additional pension provision as she foresaw that changes to her career might occur in the future.

The 'added years' option was quite a different one to the other two (FSAVC and AVC) in that it provided certain guaranteed benefits. Typically, with this option, the employee commits to pay either a lump sum or a percentage of their future salary into the OPS to buy more years. If it is a percentage, the amount paid will increase as the salary increases - the percentage remains the same.

We now know Ms M remained in her occupation and would have no-doubt enjoyed some salary increases, but this doesn't necessarily mean she would have purchased 'added years'. As a starting point it should be remembered that she only wanted to contribute a relatively small amount. And in 1998, when projected investment returns were much higher, 'added years' would have seemed expensive compared to AVC-type projected returns and benefits. I think there is solid evidence here that the flexibility, or otherwise, of this option

would have also been an important consideration for Ms M. I think it would have seemed less attractive given her particular circumstances of that time. In coming to that judgement, I've also taken account of her age, financial and family circumstances.

In summary then, the notes from the sale meeting in 1998 are not brief, but they most likely don't record everything that was discussed. Nevertheless, I'm satisfied that Ms M was given the information she needed to make an informed decision. I think she made it clear she wanted a degree of flexibility in the additional contributions she was considering at the time. I don't think Prudential did anything wrong.

### **My final decision**

I do not uphold Ms M's complaint.

I do not require The Prudential Assurance Company Limited to do anything more.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms M to accept or reject my decision before 12 April 2022.

Michael Campbell  
**Ombudsman**