

The complaint

Mr and Mrs B complain that The Prudential Assurance Company Limited (Prudential) didn't give them sufficient information about the Unit Price Adjustment (UPA) when they chose to switch funds.

What happened

Mr and Mrs B have a Flexible Investment Plan with Prudential in which they invest in a with-profits fund. In 2020, Mr B contacted Prudential as he wanted to switch from the Proof and Cautious Fund to the Growth Fund. He called Prudential asking about how to switch funds and called a number of times after he'd received the form. Mr and Mrs B's funds were held in a holding account after Prudential received their switch form before being moved to the Growth Fund on 25 November 2020.

On 26 November 2020, Mr B called Prudential and asked when the UPA of 2.72% would be applied to their plan. After asking some questions Prudential told Mr B that it would be applied but it would have to find out when. Prudential then sent an email to say that it would be applied at the end of the quarter – in February. Prudential later pointed out that this was an error and that the UPA isn't applied when funds are in a holding account – so it wouldn't be applied to Mr and Mrs B's plan.

Mr and Mrs B complained. They felt that Prudential should've told them about this issue, and had it done so they would have made different choices. Prudential recognised it provided information that wasn't accurate and paid Mr and Mrs B £300 in total to compensate for this. Mr and Mrs B feel they've lost out significantly because they weren't told about the UPA not applying.

Our Investigator felt the offer Prudential had made was fair and reasonable. He explained that the documentation that was available to Mr and Mrs B explained that the UPA wouldn't be applied whilst the money was in the holding account. He said that Mr B never asked about the UPA in his calls prior to the switch and he didn't think that Prudential had done anything wrong in not mentioning it. But he said the information that Mr B was then given after the switch took place created a loss of expectation, and felt £300 compensation was fair and reasonable for this.

Mr and Mrs B disagreed and asked for an Ombudsman to reach a decision. They said that the UPA was a very important feature and should've been highlighted prominently. They would like significantly higher compensation.

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've reached the same outcome as the investigator. I know this will be disappointing to Mr and Mrs B but I'll explain why.

Should the UPA be applied?

The first thing I've considered is whether Prudential were right in not applying the UPA to Mr and Mrs B's plan. I do understand why it was important to Mr and Mrs B. They had held their Flexible Investment Plan for some time, which meant they experienced the UPA in March 2020 which reduced the value of their investments. As time went on, Prudential applied UPAs which increased the value and Mr and Mrs B wanted to benefit from this to try and even out their losses earlier in the year. However, I've looked at the information available about how Mr and Mrs B's plan works and I can't agree that the UPA should have been applied when they switched funds.

Mr and Mrs B chose to switch funds in September 2020, and were told that the money would be held in a corresponding fixed rate account (the holding account) until they were reinvested in the new fund on 25 November 2020.

A letter that Mr and Mrs B received in September 2020 said:

"The investment won't be subject to any adjustments during a quarter as described in the last section whilst units are held in the fixed rate funds."

I can also see that the relevant funds guide – the With-Profits Fund guide – said the following:

"When your money is in the fixed rate account and waiting for us to move it into your chosen fund on the next PruFund quarter date, it'll grow at the Expected Growth Rate that we'll have set for the fund you've chosen... but any smoothing adjustments, Unit Price Resets, or suspension of smoothing won't apply."

The UPA is a smoothing adjustment, and I'm satisfied that it doesn't apply to funds being held in the fixed rate (holding) account.

Did Prudential provide clear information?

Mr and Mrs B have said throughout that they were not explicitly told that the UPA wouldn't be applied to their plan if they switched funds. I agree that Prudential didn't highlight this information when speaking with Mr B, but I've also noted that Mr B didn't ask about the UPA in any of the five phone calls he had prior to the switch, or in his emails.

The UPA is a smoothing adjustment that can happen and is applied typically when a large financial event occurs to help smooth the effects. As there was a significant event in March 2020 – the pandemic – Prudential applied a UPA. And during the pandemic it continued to apply them to try and smooth out the effects for the investors. So, whilst there was a regular frequency at the time, a UPA is not commonly applied at the frequency with which it has been over the last two years. So, I wouldn't expect notices about whether the UPA will apply to a fund switch to carry the prominence that Mr and Mrs B wish them to. What is important, is that the information was available and I can see that it was.

Mr B, during his first phone call about switching funds, was told he should consider speaking to his Independent Financial Advisor (IFA). It was Mr B that chose not to as he said he was "financially literate" and didn't feel he needed to pay for the advice. When Mr B received the fund switch forms he had questions about it and called Prudential. I can see that Prudential answered all of his questions – which centred around the Annual Management Charge (AMC) – promptly, and suggested that he got financial advice. None of Mr B's questions mentioned the UPA. He asked specifically about the Expected Growth Rate (EGR) and Prudential answered his queries about this. He spoke to people in different departments in

Prudential and they all answered his questions and were clear when they couldn't do this. There were points where it appeared Mr B wanted Prudential's advice – asking whether it was better to take different options – and Prudential directed him to seek out advice as it couldn't provide this. I'm satisfied that Prudential answered all of Mr B's questions when it could, and directed him to where he could get advice.

Had Mr and Mrs B asked specifically about the UPA prior to the fund switch, I'd have expected Prudential to give them this information. And, had Mr and Mrs B spoken to their IFA I'd expect them to have been advised about it. I can see that the relevant fund guide was available to Mr and Mrs B on Prudential's website to view, and I'm satisfied they had opportunities to ask any information about the fund switch. I don't think Prudential needed to provide any additional information in these circumstances.

Loss of expectation

After Mr and Mrs B's fund switch had taken place, Mr B called Prudential and asked about when the UPA would be applied. This is the first communication he made specifically about the UPA in relation to this fund switch. It was during this call that Prudential made an error. The representative did tell Mr B that she couldn't see a UPA had been applied to his plan and she looked at the website to see one was being applied to the Growth Fund. So she told Mr B that it would be applied. This was incorrect – but at this point the fund switch had taken place. I've not seen any evidence to suggest that Mr and Mrs B would've done something differently at this stage. But I do accept that being told the UPA would apply, then finding out this was incorrect would've been disappointing.

Prudential has sent Mr and Mrs B a total of £300 compensation for this error and I think that is fair and reasonable. I've already explained why I don't think Prudential did something wrong prior to the fund switch, and the switch had already taken place when this information had been given. So, I think Mr and Mrs B experienced a loss of expectation and I think the £300 compensation Prudential has already paid is fair and reasonable so I won't be asking it to do anything more.

My final decision

For the reasons I've explained, I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs B and Mr B to accept or reject my decision before 4 May 2022.

Charlotte Wilson
Ombudsman