The complaint

Miss F complains that she faced difficulties in setting up payments to her Personal Pension Policy (PPP) held with The Prudential Assurance Company Limited (Prudential). And feels that the PPP was mis-sold as it wasn't fit for purpose.

What happened

Miss F held a PPP with Prudential. In 2016, she wanted advice on consolidating her pensions. She also wanted good access to a PPP so she could contribute or take income when needed.

In May 2016 Miss F completed a fact find. And in July 2016 she met with Prudential's adviser. A Suitability Report (SR) was produced in October 2016. This said that at the time Miss F was:

- Aged 48 and in good health.
- Married with three dependent children.
- Self-employed - Basic rate tax-payer
- Annual income £20,000 but took funds from the business if needed.
- No debts
- Savings for own use £30,000 and £130,000 earmarked for school fees
- Planned retirement age 66 – no plan to retire for several years
- PPP with another provider with a value of £5,263 (started 2003)
- PPP with Prudential with a value of £64,062 (started 1999)
- Objective to consolidate the pension plans and resume contributions
- Attitude to risk – medium risk

In the "*Personal circumstances*" and "*Needs and objectives*" sections of the SR it stated:

- No plans to retire until age 66

- Miss F will work until she no longer has the desire to work.

- Miss F was looking for advice on consolidation for greater control and a clearer investment strategy

- There were no specific income needs at present…but it was important to Miss F that access will be available in the future once she retired

- Miss F would like constant access to advice to establish the most effective route of taking income as and when the need arises, once she reached retirement

- Miss F wanted more involvement with her pensions to generate returns in line with her investment risk profile and growth expectations.

- She would like to benefit from the smoothing formula applied to her pension to help minimise daily volatility. She was also seeking a multi asset investment approach which has the potential for growth over the medium to long term, within certain risk constraints.

The SR stated that the option to retain her existing plans was discussed with Miss F. And that this had been rejected because the providers didn't offer advice. It also stated that switching (here meaning "*moving between existing provider's funds*") was also considered but declined because Miss F wanted to consolidate her plans.

Prudential's adviser was a restricted adviser, so his advice was limited to selected Prudential products and other providers - unlike an independent adviser who could advise on whole market.

Prudential advised Miss F to transfer her existing PPP, and the pension plan she held with another provider, to a Prudential Retirement Account (PRA). The charge for the initial advice was around £2,000.

Miss F experienced problems setting up contributions into the PRA. She said she spent around three months trying to pay into it. This took a lot of her time. As she felt the PRA couldn't easily accept her contributions in the way she'd expected, Miss F felt that the PRA wasn't fit for purpose. This led her to consider that it had been mis-sold. So she complained to Prudential.

Prudential issued their final response to the complaint in April 2020. They addressed the following complaint points, which they didn't uphold:

- Miss F felt she'd been mis-sold the PRA as it wasn't fit for purpose.

- She'd never been told there would be an Initial Advice Charge (IAC) for transferring her Prudential Pension to the PRA.

Prudential didn't agree that the poor service meant that the policy had been mis-sold. They said that the PRA did allow contributions to be made as and when needed. So they felt that it was suitable and had met Miss F's needs and objectives.

Prudential said that Miss F had understood that there'd be a charge for the external transfer, but not for the internal transfer between two Prudential products. But confirmed that an Initial Advice Charge (IAC) would be applied for any advice to transfer. They also noted that the IAC had been documented in the paperwork they'd issued. And that their advisers had a responsibility to make customers aware of all charges. Prudential said that Miss F had confirmed she'd understood the charges when she signed the application form confirming she'd read and understood all the documents.

Prudential offered £150 in recognition that the service Miss F had received had fallen short of her expectations at some point after issuing the April 2020 final response letter.

Unhappy with their response, Miss F complained to Prudential again. They issued their second final response letter in May 2020. Prudential didn't uphold the complaint. They covered the following complaint points:

- Miss F didn't consider the compensation offered to be sufficient.
- They'd not been able to call her after 6pm. And the call handler was rude.

Prudential issued a third final response letter in October 2020. This letter re-visited some of the earlier complaint points as Miss F didn't consider that all issues had been addressed. Prudential upheld Miss F's complaint that they hadn't returned her calls at the time she'd requested. And arranged for £50 to be paid in recognition of the trouble and upset caused. Prudential noted that this offer made no allowance for Miss F's other concerns.

Miss F had brought her complaint to this service before she'd received the third final response letter from Prudential. Our investigator recommended that her complaint be upheld. She considered that the PPP had been mis-sold. She'd questioned whether Miss F's PPP should've been transferred simply so Miss F could get advice on an ongoing basis. And whether she'd needed that advice at that point, or flexibility, as she wasn't likely to draw on her benefits for some time. Our investigator also considered the charges. She didn't consider the adviser's rationale was enough to justify the transfer. She recommended that Prudential put Miss F back as close as possible to the position she would probably now be in if she had been given suitable advice.

Our investigator also considered the compensation Prudential had paid for the poor service Miss F had experienced. And for the failure to return a call. Overall, she felt that the compensation paid had been fair and reasonable.

Prudential didn't agree with our investigator. They felt that the complaint had arisen due to the servicing issues, not the advice. They said that their adviser had explained that he could only provide advice on Prudential Products and Funds. And so couldn't comment on the suitability of funds elsewhere or recommend a client seeks advice from an IFA unless Prudential didn't have a suitable solution for the client.

Prudential said Miss F's objectives had been to consolidate her pensions and restart her contributions. And that this was the basis of the advice provided. They didn't agree that the PRA wasn't fit for purpose. And they didn't agree that it had been mis-sold. They said the PRA offered access to income and to make contributions as and when Miss F needed to. They did agree that Miss F had received poor service, which had led to it being difficult for her to make contributions. But they said they'd acknowledged this. And they didn't agree that the poor service experienced meant that the PRA had been mis-sold.

Prudential also noted that their adviser assessed Miss F's attitude to risk (ATR) before he made a product recommendation, or assessing the ongoing suitability of her existing Prudential policy. And that this assessment, along with other discussions such as capacity for loss, preferred investment style and term of investment, was used to recommend a suitable fund. But they noted that their adviser wouldn't have completed this to assess the suitability of an external product or fund. They said that the switch recommendation was based on other objectives, for example access to ongoing advice and flexibility to access funds in the future. Prudential said that fund choice and ATR was not the driver behind this advice. And that it didn't form part of the complaint from Miss F.

Prudential also said that the IAC and all other charges had been clearly explained to Miss F. And that if she hadn't been happy with them, she didn't have accept the charges, or use Prudential for advice.

As agreement couldn't be reached, this complaint came to me for a review.

I issued a provisional decision on 13 January 2020. It said:

I have carefully considered all the available evidence and arguments to decide what is fair and reasonable in the circumstances of this complaint.

Having done so, I intend to uphold it. I'll explain why.

Although my recommended redress remains very similar to that suggested by our investigator, I've altered the wording in order to enable the calculation to be processed.

I'll consider the following issues Prudential addressed in their final response letters:

- *Was the PRA mis-sold?*
- *Was the IAC clearly explained?*
- *The adequacy of the compensation for the servicing issues experienced.*

Was the PRA mis-sold?

Before I consider the detailed arguments Miss F and Prudential have made on this point, I acknowledge that Prudential consider that the mis-selling complaint has only arisen because of the poor service Miss F received. And while Prudential accept that the service wasn't ideal, they don't agree that the PRA was unsuitable for Miss F. While I understand their point, I don't agree that the service Miss F received has no reflection on the product recommended. I say this because if a product doesn't work in practice in the same way as it was in theory recommended for, I consider that a customer has every right to consider that the product wasn't actually fit for purpose. Therefore even though Miss F didn't initially complain that the product had been mis-sold, I consider that it's reasonable for her to make that argument after experiencing several months of difficulties with the operation of the recommended policy.

I agree with our investigator that the Regulator's 2008 report: "Quality of Advice on Pension Switching" should be considered for this complaint. The report provided examples of poor and good advice. Some examples of what the report considered unsuitable advice are:

- *A pension that is more expensive than a stakeholder pension, but a stakeholder pension would have fulfilled the customer's needs*
- *A pension incurring extra product costs without good reason (this outcome involved assessing cases where, for example, the reason for the switch was for investment flexibility, but this was not likely to be used; the reason was fund performance, but there was no evidence the new scheme was likely to be better; or the reason was the flexibility of a drawdown option, but there is no evidence this option was needed)*

I'll consider Miss F's complaint with the Regulator's report in mind. However, as Prudential *have noted, fund choice and ATR have not driven this complaint. So I won't consider the funds Prudential recommended in much detail.*

Based on the information recorded in the fact find and the Suitability Report, I'm satisfied that Miss F could afford to save for her retirement. She had no debts or mortgage. And enough income to maintain her standard of living. She had almost 18 years to her selected retirement age of 66. She had two PPPs with a total value of just under £70,000, and no benefits in occupational pension schemes. Based on the relatively modest level of her retirement savings at the time of the advice, I'm satisfied that it was appropriate for Miss F to consider saving for retirement.

The Suitability Report recorded that Miss F was looking to consolidate her PPPs. And that although she had no specific income needs at present, she'd want access when she did retire in several years' time. The report also noted that Miss F wanted "constant access to advice to establish the most efficient route of taking income as and when the need arises, once you get to retirement."

Miss F told this service what her aims were for the new pension. She said she didn't need access to it until she reached age 66. And that: "the main reason for swapping to the new pension was the need for flexibility in terms of contributions and the opportunity to pay by salary sacrifice as well".

Miss F said she experienced considerably difficulties in contributing into the new plan once it had been opened. She said she had trouble paying in the initial lump sum. And that she also had problems setting up the direct debit for the regular contributions she wanted to make. Miss F said she called her Prudential adviser several times but that he said it was difficult to set up the direct debit "because it was a brand new pension scheme and they were still trying to sort out the computer system". Miss F said that this went on for a number of months. And that the direct debit was never set up successfully. She said that in the end she gave up trying. She said: "I have now had to take out a completely separate pension scheme with [provider name] due to the levels of stress that trying to deal with Prudential caused me. However, I had wanted to keep all of my funds in one place, but Prudential made this impossible".

Miss F also told this service that she'd told the adviser that she wanted the pension to be flexible in respect of contributions because she was working in a variety of different capacities at the time. Our investigator asked Prudential why the PRA didn't allow salary sacrifice contributions. Prudential told this service: "Fluctuating monthly amounts cannot be paid into the Retirement Account plan as a regular monthly contribution. It needs to be a set amount, for example of £300.00 per month. This can be increased or decreased but cannot fluctuate on a monthly basis. This is because the system needs to know in advance the exact amount of the monthly payment". Prudential noted that this point was covered in the Section 6 of the PRA's terms and conditions regarding this – Section 6. This states:

6.1 Up to your 75th birthday, we can accept regular and single contributions into your Retirement Account made:

> *6.1.1 by you;*
>
> *6.1.2 by your employer;*
>
> *6.1.3 on your behalf by a third party.*

6.2 We can accept transfer payments and drawdown transfers before and after your 75th birthday.

Section 8 of the terms and conditions also states that: "Regular contributions can be paid annually or monthly by direct debit. Single contributions can be paid by cheque, bank transfer or any other method which is acceptable to us from time to time".

Prudential told this service that Miss F would've had to complete and sign an application form and direct debit mandate in order to make a personal regular contribution. She would've needed to confirm how much she'd like to contribute each month and the date it was to be collected. Prudential couldn't confirm what information had been provided to Miss F at the point of sale to explain the contribution process. They said that meetings at that time were not recorded. But they said that it should've been explained that varying monthly amounts can't be paid into the PRA as a regular monthly contribution. And that a set amount per month was needed. They said that this amount could be increased or decreased, but that it couldn't fluctuate on a monthly basis because the system needs to know in advance the exact amount of the monthly payment.

Based on what Prudential and Miss F have told this service and the documentary evidence provided, I'm not satisfied that the adviser considered how important it was to Miss F that the recommended pension plan could easily accept contributions. And I'm not persuaded the adviser made Miss F aware about the contribution process. Or that varying monthly amounts can't be paid into the PRA. Or that it couldn't accept salary sacrifice payments. I don't consider that the terms and conditions make this clear either. I've come to this conclusion as I've seen the lengthy email exchanges between Miss F and Prudential when she was trying to make contributions. She is clearly surprised and unhappy at how difficult the process was.

From what I've seen, the PRA wasn't suitable for Miss F given her main objective was: "the need for flexibility in terms of contributions and the opportunity to pay by salary sacrifice as well". I say this not only because of the email exchanges referenced above, but because Miss F told this service that the same adviser who'd recommended the PRA to her told her it was: "a brand new pension scheme and they were still trying to sort out the computer system". So I'm persuaded that the adviser should've considered this point when he was making his initial recommendation to Miss F. I'm satisfied that the adviser who recommended the PRA to Miss F knew that she wanted flexibility of contributions, but also knew that the PRA wasn't yet in a position to provide that flexibility. Therefore – on the basis that the recommendation didn't meet Miss F's principle objective - I don't consider that the recommendation to switch to the PRA was suitable. However, I've also considered the other reasons the PRA was recommended.

Having read the Suitability Report, I've not persuaded there was any pressing need for either accessing income or "constant access to advice" until Miss F retired. And although Miss F did state that she wanted to consolidate her PPPs, I can't see that Prudential's adviser discussed with Miss F that this objective wasn't necessarily a particularly important one.

Miss F already had a PPP with Prudential. I've seen no evidence that this couldn't have been used to meet her objective of resuming contributions. Miss F told this service that she had made contributions into that arrangement on an ad hoc basis in the past. And, as I've noted, other objectives she'd mentioned to the adviser weren't particularly pressing. The switch to the PRA would incur an IAC that wouldn't be levied if Miss F didn't switch away from her existing arrangements. So I've considered whether the recommendation to switch to the PRA was justified for other reasons.

Aside from noting that their recommendation would meet Miss F's long-term objectives, Prudential also noted in the Suitability Report that the recommended PRA would allow Miss F to invest "in a smoothed investment style which was a key objective".

I acknowledge that the PRA did appear to meet Miss F's objectives better than her existing

Prudential PPP in certain respects. But I don't consider that the adviser made clear to Miss F that she would be paying considerably higher charges overall (IAC and ongoing charges) in return for potentially limited benefits to her at that point in time. As I said earlier, Miss F didn't really need to consolidate her PPPs. And she didn't need access to retirement advice or access to income for potentially another 17 or 18 years. I acknowledge that Miss F preferred to invest in a smoothed fund to minimise daily volatility. But I'm not persuaded that this, in itself, was enough of a reason for the internal switch to be recommended. I note that the application of the IAC, following the switch to the PRA, itself caused a fairly volatile daily movement.

As noted above when I discussed the Regulator's 2008 report: "Quality of Advice on Pension Switching", it isn't appropriate for a business to recommend a pension incurring extra product costs without good reason. And even if all of the points Prudential's adviser used in the Suitability Report were correct, it remains the adviser's responsibility to give Miss F suitable advice. I don't agree that just because Miss F said she wanted to consolidate her PPPs the adviser should've ruled out retaining her existing plans. This is because I don't consider there were enough benefits from the recommended switch to support the size of the IAC. This is especially true as the PRA didn't have the contribution flexibility Miss F said she needed.

I also consider that the adviser should've considered how far away Miss F was from her chosen retirement age. So I also don't agree that was any need at the time of the advice to make the switch in order to have access to income options in years to come. Miss F could've waited till she reached retirement age and decided at that point if she still wanted to switch in order to access advice on the most efficient route of taking income. At this point she'd have the benefit of knowing exactly what she wanted.

The Suitability Report recorded that Miss F was: "disappointed with the level of contact, service and performance" from her existing plans". And that she wanted: "constant access to advice to establish the most efficient route of taking income as and when the need arises, once you get to retirement". I acknowledge that the adviser did consider the possibility of retaining the existing plans. But that this was: "discounted due to the fact that these firms do not offer advice". I don't consider that this was enough of a reason to rule out retaining the existing plans. Both the existing plans had other funds available which Miss F could've switched into, potentially without charge. So although Miss F said she was disappointed with the performance, other options were available to her without switching. I'm also not persuaded that Miss F's only option to access the advice that she said she would eventually need was to pay for ongoing advice immediately through the PRA. Even if she wanted advice straightaway – and I'm not clear that the Suitability Report reflects that she did – she could've accessed advice in other ways while retaining her existing plans.

I also note that the PRA was more expensive than the existing arrangements. The total annual charges were 1.1% each year (before the cost of advice) in the PRA. Both Miss F's existing plans had lower annual charges.

Based on the above, I don't consider the reasons given for the recommendation to switch were good enough to justify it. I acknowledge that if Miss F hadn't switched she would've either had to make her own investment decisions or pay for advice independently. But I don't consider that this was enough to justify the switch.

I also note that Miss F has actually opened a new pension plan with another provider as she'd found the PRA simply too problematic. This meant that she wasn't able to meet her objective of consolidating her pension plans. Based on all the evidence, I'm satisfied that the PRA was mis-sold as it didn't meet Miss F's requirements.

Was the IAC clearly explained?

Miss F complained that the IAC hadn't been clearly explained. She said she didn't appreciate that it would be charged on an internal transfer from her Prudential PPP to the PRA. She said: "I understood that this would only be due on any monies transferred in from other schemes … not from Prudential's own products".

Prudential said that the PRA application form shows there is an IAC for each transfer. They also noted that the charges were documented in the Suitability Report and the Summary of Advice Charges. And said that Miss F would've also been given a charging brochure as part of the advice process, as their advisers hold a responsibility to make their customers aware of all charges. Prudential also said that when Miss F signed the application form she had agreed that she'd read and understood all the documents. And that she'd at this point agreed to proceed with the advice and all charges.

I've reviewed the documentation Prudential gave to Miss F at the time of the advice. I can see that the IAC was specified, for example, in the 11 October 2016 Illustration details. This said:

***Estimated transfer amount £64,062.07** [the internal transfer]*

We will pay your Financial Adviser 2.50% which equates to £1,601.55. This is based on the transfer value given, the actual amount could vary depending on the transfer amount received.

***Estimated transfer amount £5,263.81** [the external transfer]*

We will pay your Financial Adviser 2.50% which equates to £131.60. This is based on the transfer value given, the actual amount could vary depending on the transfer amount received.

Based on this, and the other documentation I've seen, I've seen no evidence that Prudential ever indicated that the internal transfer wouldn't incur the IAC. So I'm unable to uphold this part of the complaint.

Based on all the evidence, I'm satisfied that Prudential did clearly explain the IAC.

The adequacy of the compensation for the servicing issues experienced

Prudential have already acknowledged that Miss F experienced issued when trying to set up contributions to the PRA. They've offered £150 in compensation for the inconvenience this caused her.

Miss F doesn't consider that this compensation is enough for the poor service she received. She said she spent around 80 to 100 hours trying to sort her contributions out.

I've considered what both Prudential and Miss F have said about the issues she faced. And I've looked at the documentation provided. I'm satisfied that Miss F had to spend a lot of time trying to arrange the contributions she wanted to pay into the PRA. And I can see that this would've been stressful and time consuming. However, Prudential acknowledged that the service Miss F had received had fallen short and offered £150 in respect of the difficulties she'd faced. Under the circumstances, I consider that this is fair compensation for the difficulties Miss F experienced.

Prudential have also acknowledged that they didn't call Miss F back when they said they *would. They've offered £50 in recognition of the trouble and upset this caused.*

But Miss F is also unhappy with how an agent spoke to her during a call. I've not been able to listen to the call in question. But I have seen the call note, which records what was discussed. This notes that Prudential's agent couldn't complete the identification process. Miss F was in a public place at the time and therefore wasn't comfortable answering the questions posed. She said that the agent abruptly ended the call.

I can understand why the call would've been difficult, given the circumstances. But as I've not been able to listen to it I don't know what exactly was said, or how it was said. So whilst I accept Miss F's recollection of what happened, I can't verify the tone of the call or what was said exactly. So I've not been able to evidence any rudeness. Based on the evidence available to me, I consider Prudential's offer of £50 here is fair.

Fair compensation

My aim is that Miss F should be put as closely as possible into the position she would probably now be in if she had been given suitable advice.

I take the view that Miss F would have remained with her previous provider/her original Prudential plan. However I cannot be certain that a value will be obtainable for what the policy with the previous provider would have been worth.

Response to my provisional decision

Prudential didn't agree with my provisional decision. They made the following points:

- their current advice policy is to consider the relative costs of the recommended pension against the cost of a stakeholder pension for switching. They said that stakeholder pensions are 1.5% reducing to 1%. And therefore not notably cheaper and do not provide the flexibility referred to in Miss F's objectives.

- Miss F wanted access to advice, flexibility/pension flexibility, fund performance. She was made aware of all the costs for the advice. And she chose to proceed. So they didn't agree that the new pension had been set up without good reason.

- They disagreed with my statement: "*However, as Prudential have noted fund choice and Attitude To Risk have not driven this complaint*". They said they have to factor this in in order to consider whether the advice is suitable or not. And they said that cost alone should never be a driver for advice.

- They disagreed that Miss F had mentioned her need for flexibility in terms of the contributions being made.

- They noted that Miss F's partner received identical advice at the same time. And that he had raised no complaints about the advice.

- They said that just because Miss F had transferred away from Prudential, that didn't imply that the product wasn't suitable for her or had been mis-sold to her. They agreed she'd had a poor service experience from the start of 2020. And felt it could be argued that if someone receives a poor service they will transfer away from that provider. But noted that Miss F had raised no complaints for four years before 2020 about the service she'd received. And she hadn't raised any concerns about mis-selling due to concerns about the fitness of the product or charges in that time.

- In summary, they felt the rationale for transferring had been correct.

Miss F said that she genuinely didn't believe she was told about the charges to change her pension scheme from one Prudential scheme to another. And that if she had been told about the costs, she categorically wouldn't have paid to change to a pension scheme which was no use to her because she couldn't pay into it. She didn't feel that the redress I'd recommended would cover the money she was charged in moving to a scheme which was totally unfit for purpose.

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'll consider Prudential's new points first.

I accept Prudential's point that the stakeholder pension wasn't notably cheaper on the face of it. But I'm not persuaded it changes my decision. This is because although the pension recommendation may've been more suitable than her existing pension in certain regards for Miss F, it wasn't suitable in terms of the contribution flexibility she needed. I also note that "*not notably cheaper*" is still cheaper. And this is without consideration of the cost to Miss F of moving to the new product.

I also accept that many of the things Miss F said she wanted from her pension provision were fairly considered by the adviser. And that the product recommended did meet several of her stated objectives. But I don't consider that the adviser properly thought about Miss F's requirement for contribution flexibility when he made his recommendations. I'll cover this point in more detail later on.

I agree with Prudential that they have to look at fund choice and ATR in order to consider whether the advice is suitable or not. I have no reason to suspect that their advice was unsuitable in respect of these points. That's why I didn't consider them in much detail in my provisional decision.

Prudential disagreed that Miss F had mentioned her need for contribution flexibility. They said there was no mention in the sales file nor the Suitability Report of a requirement for 'flexibility' in terms of the contributions being made. Miss F had previously told this service that she remembered telling the adviser that she wanted the pension to be flexible because she "*was working in a variety of different capacities at the time (including as a Director of my Limited Company and a self-employed contractor). I also wanted to be able to pay into the scheme as an individual contributor if this was beneficial from a tax point of view*". She also told this service that she had contributed "*ad hoc amounts from our Limited company when there was money available*" to her old Prudential pension.

I've considered carefully what both parties have said on this point. Looking at the Suitability Report and the fact find from the time of the advice, I can see that regular and single contributions were discussed, but there's no evidence that the advisor considered, or was asked to consider, other payment patterns. But even without that evidence, I consider that it should've been discussed as part of the advice process. The Suitability Report recorded that Miss F was self-employed. But the fact find didn't go into detail about her income and didn't cover at all whether Miss F's income – and therefore her pension contributions - might fluctuate over time. I consider that the adviser should've discussed contribution flexibility and the different methods Miss F might want to use (eg salary sacrifice) with her. I say this because I'm persuaded that he had enough information to realise contributions might be irregular and that Miss F may need to use different contribution methods under her circumstances. I can't be certain whether Miss F mentioned contribution flexibility or not at the adviser meetings. But I consider that it would be reasonable for her to have expected any solution presented could provide her with all the usual methods of contributing she'd had available to her before.

I acknowledge Prudential's point that Miss F's partner received identical advice but had raised no complaints about the advice. But different people have different circumstances. So I can't comment on this without understanding his circumstances.

I agree with Prudential that just because Miss F had transferred away from Prudential, that didn't imply that the product wasn't suitable for her or had been mis-sold to her. But I don't agree that just because she'd raised no complaints for the four years before 2020 that means her complaint shouldn't be upheld. I say this because, at the time the advice was provided, Miss F wasn't making regular contributions into her existing pension arrangements. So it appears that Miss F complained once she became aware that the product wasn't suitable, ie as soon as she tried to contribute flexibly and wasn't able to.

And I also agree that people do move away from providers sometime purely on the basis of poor service. But from what I've seen, Miss F complained about the advice once she realised she had cause to complain, due to feeling that the pension she'd been recommended didn't meet her needs. I don't think it's relevant that she hadn't had cause to complain about the advice before then.

Regarding Miss F's point about the initial charges. I don't agree that Prudential didn't communicate to her that she would be charged for the move between Prudential pension schemes. But, regardless of that, I've asked Prudential to put Miss F back to the position she would've been in but for the advice. So my redress will effectively refund the charges to her if the notional value calculated is greater than the actual value.

Having considered all of the points raised by both Miss F and Prudential, I remain of the view I set out in my provisional decision.

Putting things right

To compensate Miss F fairly, Prudential must:

- Compare the performance of Miss F's investment with the notional value if it had remained with the previous provider/her original Prudential plan. If the actual value is greater than the notional value, no compensation is payable. If the notional value is greater than the actual value, there is a loss and compensation is payable.

- Prudential should add interest as set out below

- Prudential should pay into Miss F's pension plan to increase its value by the total amount of the compensation and any interest. The amount paid should allow for the effect of charges and any available tax relief. Compensation should not be paid into the pension plan if it would conflict with any existing protection or allowance.

- If Prudential is unable to pay the total amount into Miss F's pension plan, it should pay that amount direct to her. But had it been possible to pay into the plan, it would have provided a taxable income. Therefore the total amount should be reduced to notionally allow for any income tax that would otherwise have been paid. This is an adjustment to ensure the compensation is a fair amount – it isn't a payment of tax to HMRC, so Miss F won't be able to reclaim any of the reduction after compensation is paid.

- The notional allowance should be calculated using Miss F's actual or expected marginal rate of tax at her selected retirement age.

- It’s reasonable to assume that Miss F is likely to be a basic rate taxpayer at the selected retirement age, so the reduction would equal 20%. However, if Miss F would have been able to take a tax-free lump sum, the reduction should be applied to 75% of the compensation, resulting in an overall reduction of 15%.

Income tax may be payable on any interest paid. If Prudential deducts income tax from the interest it should tell Miss F how much has been taken off. Prudential should give Miss F a tax deduction certificate in respect of interest if Miss F asks for one, so she can reclaim the tax on interest from HM Revenue & Customs if appropriate.

Investment name	status	Benchmark	From (“start date”)	To (“end date”)	Additional interest
Prudential Retirement Account	Still exists	Notional value from previous provider for external switch Notional value from original Prudential PPP for internal switch	Date of investment	Date of my final decision	8% simple per year from my final decision to settlement (if not settled within 28 days of the business receiving the complainant's acceptance)

Actual value

This means the actual amount payable from the investment at the end date.

Notional Value

This is the value of Miss F's investment had it remained with the previous provider/her original Prudential plan until the end date. Prudential should request that the previous provider calculate this value.

Any withdrawal from the PRA should be deducted from the notional value calculation at the point it was actually paid so it ceases to accrue any return in the calculation from that point on. If there is a large number of regular payments, to keep calculations simpler, I’ll accept if Prudential totals all those payments and deducts that figure at the end to determine the notional value instead of deducting periodically.

If the previous provider is unable to calculate a notional value, Prudential will need to determine a fair value for Miss F's investment instead, using this benchmark: FTSE UK Private Investors Income Total Return Index. The adjustments above also apply to the calculation of a fair value using the benchmark, which is then used instead of the notional value in the calculation of compensation.

Why is this remedy suitable?

I’ve decided on this method of compensation because:

- Miss F wanted Capital growth and was willing to accept some investment risk.
- If the previous provider is unable to calculate a notional value, then I consider the measure below is appropriate.
- The FTSE UK Private Investors Income total return index (prior to 1 March 2017, the FTSE WMA Stock Market Income total return index) is made up of a range of indices with different asset classes, mainly UK equities and government bonds. It would be a fair measure for someone who was prepared to take some risk to get a higher return.
- Although it is called income index, the mix and diversification provided within the index is close enough to allow me to use it as a reasonable measure of comparison given Miss F's circumstances and risk attitude.

My final decision

I uphold the complaint. I require The Prudential Assurance Company Limited to take the actions detailed in the “Putting things right” section above.

Under the rules of the Financial Ombudsman Service, I’m required to ask Miss F to accept or reject my decision before 11 March 2022.

Jo Occleshaw
Ombudsman