

The complaint

Mr J complains that a significant part of his pension fund with The Prudential Assurance Company Limited (Prudential) appeared to be exposed to investment risk despite him paying for an additional guarantee on the capital value. He would like the cost of the guarantee refunding and compensation for the distress and inconvenience caused.

What happened

Mr J opened a retirement account plan with Prudential in July 2017. He says he was a low risk investor, so the plan was invested into units of Prudential's "*Prufund cautious fund*". Mr J also arranged for a "*Prufund Capital Guarantee*" (the guarantee) to be added to his plan at an additional cost of 0.3% p.a. This provided for a minimum guaranteed fund value after ten years of around 56% of the amount originally invested in the fund.

In March 2020 investment markets had fallen sharply in response to the uncertainty caused by Covid. Mr J says he spoke with his financial adviser and they were alarmed as Prudential's online portal showed a guaranteed unit value that was "*significantly lower*" than expected. Mr J says he then received his annual statement in the post which had a different valuation to the portal. Mr J says his financial adviser queried this with Prudential, without response.

Mr J complained to Prudential in October 2020. In January 2021 Prudential upheld his complaint in part and apologised for the delay in dealing with it. It said there were some IT issues with the way the portal reconciled figures which was being worked on. It said the fund values had to be presented in separate sub accounts due to the differing tax treatments applicable to them. And there was complexity due to units being moved between sub accounts as and when Mr J had taken benefits.

It said due to this and the need to use the daily unit price (which was the same regardless of whether the units were guaranteed or not) "*it would not be accurate to represent the total of the guaranteed minimum fund value units as one figure*". But it said the value had never been below the minimum that was guaranteed. It paid Mr J £350 in compensation for the inconvenience caused.

Mr J wasn't happy with this explanation. He sent Prudential a screen shot from the portal of the information this provided. It said the complaints team didn't have access to the portal system Mr J could view, but it could now see what he meant. It agreed that the summary screen giving a total value for the plan showed a much lower figure for the guaranteed units than the cumulative value given on the three more detailed sub account screens also available. Prudential said, having referred it to the IT department it was, after several weeks, still "*unable to explain where the lower figure came from, or what it represented*".

It said it had referred the query to the external developer of the system for it to investigate. It paid Mr J a further £100 in compensation for the inconvenience.

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

He said Prudential had been unable to provide screenshots showing the valuations seen by Mr J and that it had confirmed it was still working on what appeared to be a limitation in the system. He agreed information about the guaranteed fund could be presented in a clearer way on the portal. But he felt the main issue of the complaint was whether or not the guarantee was in place and that he was satisfied that it was, as was shown on the annual benefit statements sent to Mr J. He said that the £450 in compensation that Prudential had paid was fair and reasonable in the circumstances of the complaint.

Mr J didn't agree and made several points:

- He said nearly 18 months after the issue had been raised with Prudential it still hadn't been clarified and it wasn't reasonable that its systems weren't fit for purpose.
- He said he'd decided to opt out of the guarantee to save the cost of this (£350 per month) as he couldn't be certain it actually existed, so this cost should be refunded.
- He said part of his concern was that as guaranteed units were sold (to provide benefits) this reduced the amount of guarantee and with investment markets falling sharply due to Covid concerns he was anxious about the true value of the guarantee.
- He agreed he hadn't suffered a direct investment loss, but said he'd suffered a financial loss through paying for something which wasn't provided. And Prudential had allowed him to take out a complex product that its own IT systems couldn't administer.

Our investigator said the value of Mr J's guaranteed fund was above the minimum, but that the operation of the plan with units in the investment being moved to sub accounts to facilitate income payments may have caused some confusion.

As Mr J 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 know this will disappoint Mr J, so I'll explain why.

I asked Prudential to provide a better copy of Mr J's screen shots of the portal and he's quite right, the information is contradictory. I'm surprised that these issues took so long to clarify and agree this caused Mr J ongoing concern. Prudential's complaints team couldn't view what Mr J could and this caused a delay in it looking into his complaint properly. So, I can understand why Mr J doubted the benefit of the guarantee after many months of not having the issue explained.

However, I think the guarantee that Mr J had taken out was in place. And none of the screens showed a total value that was below the guaranteed amount. But the guarantee Mr J had bought only ever applied on the tenth anniversary of the investment being made, and I think that's important here. At that point if the valuation is below the guaranteed minimum, Prudential creates more units to top up the value to the required amount. This future minimum value is confirmed by the contract note Prudential provided when Mr J took the plan out.

This doesn't distinguish between guaranteed and non-guaranteed units as Prudential's subsequent valuations do, evidently for accounting and tax purposes. I understand Mr J's point about the number of guaranteed units reducing as benefits were drawn creating further

confusion. The annual benefit statements states, that the guaranteed minimum fund value on the tenth anniversary will reduce *“in the same proportion as the reduction in your guarantee units”* if any are used to provide benefits or pay charges. The actual number of units was shown on the sub account pages and at the time the total value of these exceeded the minimum that would apply on the tenth anniversary.

But as the guarantee only applies on the tenth anniversary Mr J's daily fund value - whether shown as guaranteed units or not, will fluctuate, and could potentially fall below the future guaranteed value at any time. This hadn't happened and at no point was Mr J seeing valuations below the guaranteed minimum, but instead contradictory information about units described as guaranteed and their value amount.

The operation of the guarantee is set out in Prudential's literature and terms and conditions which Mr J should have been provided with when he took the plan out. If he received financial advice about the arrangement, I'd expect it to have been covered by this also.

I'm surprised Prudential wasn't able to quickly clarify these points and explain the operation of the guarantee on offer to address Mr J's concerns, whilst it tackled the IT issues also identified. I think the delay in doing this did cause him inconvenience and unnecessary concern.

But I think the guarantee that Mr J was paying for was in place and he wasn't paying for something that wasn't being provided. Consequently, it wouldn't be reasonable for me to tell Prudential to refund the charges made for the guarantee.

There are clearly issues with how the portal represents the details and hopefully Prudential will resolve these. But both the sub screens and the annual benefit statements provided by post appear to reflect things properly. So, I don't think it's reasonable to say Prudential couldn't administer the product.

Mr J has said it is difficult to get across the distress and trauma that the downturns in the market due to Covid caused him. And he has attributed this to Prudential's issues with producing clear and correct figures for his guarantee. Whilst I can understand his concerns— Prudential did assure him the guarantee was still in place and the value was not shown to be below the guaranteed value. It was Mr J's decision to cancel it and save the cost going forward, knowing the above. And, it appears Mr J had options such as switching his money into the cash account, which also could've allayed his fears about the impact of the market on his fund. So, I don't think it would be fair to hold Prudential's issues with the guarantee wholly responsible for Mr J's worries at the time.

So, taking everything into account, I think this is an administration failure that took too long to resolve, causing distress and inconvenience. It's fair that Prudential compensates Mr J for this, and I think the £450 it has already paid him is reasonable and in keeping with the level of award our service would make in similar circumstances.

My final decision

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

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr J to accept or reject my decision before 7 September 2022.

Nigel Bracken
Ombudsman