

The complaint

Ms D complains that The Prudential Assurance Company Limited incorrectly applied a Market Value Reduction ('MVR') of £4,294.98 when she transferred the benefits of one of her pension policies to a different provider.

What happened

Ms D had three pension plans which were administered by Prudential. Two of those plans had been taken out in 1986 and had guaranteed annuity rates ('GAR') which would be lost if the plans were transferred. The retirement date for these plans was 75. ('Plan 1 and 2')

The third policy, which is the one Ms D ended up transferring and which is subject of this complaint, was taken out in 1987 and had no GAR. The retirement date was 65. ('Plan 3')

In mid-June 2020, Ms D received letters regarding her retirement options. This included a retirement notification which explained that Prudential needed to know what Ms D was intending to do with her pension. The letter explained that if they didn't hear from Ms D by her current retirement date (her 65th birthday), they would change the retirement date to 75.

Subsequently, Ms D messaged Prudential over their online portal and asked whether she could change her preferred retirement dates.

In a message of 23 June she was told that the minimum period she could defer her retirement age on Plan 3 was one year. Ms D was informed that if Prudential didn't hear back from her by her 65th birthday in August the retirement date for Plan 3 would be deferred to age 75 in line with the plan's terms and conditions. Prudential told Ms D her other plans had a retirement date of 75 already.

Ms D asked for more information on her plans and she was sent further retirement information in July.

As Ms D had not informed Prudential what she intended to do with Plan 3 by her 65th birthday, the retirement age on this plan was automatically changed to 75.

A couple of days later Ms D messaged Prudential to say she understood Plan 3 didn't have a GAR and that she was intending to transfer the benefits from this plan to a new provider.

Prudential incorrectly informed her at this point Plan 3 could not be transferred without one of the other plans and also that it had a GAR. Ms D challenged this and a couple of weeks later Prudential apologised for their mistake and re-confirmed that Plan 3 did not have a GAR.

Ms D again requested to transfer Plan 3 and was sent the necessary transfer paperwork in mid-September. The illustrations (which weren't guaranteed) did show an MVR of over £4,000. The transfer completed in October 2020.

Ms D subsequently complained that an MVR had been applied.

Prudential rejected the complaint and said the MVR had been applied correctly. Ms D referred her complaint to us and one of our investigators agreed that Prudential was allowed to apply this MVR.

As no agreement could be reached the complaint was passed to me for 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.

There has been more correspondence than I set out in the background which I've all considered, but I only refer to the ones I deem most relevant.

Having looked at everything, I agree that Prudential were allowed to apply an MVR. I appreciate that will be disappointing for Ms D but I hope she'll understand my reasons for this decision which I'll set out below.

I've seen the application form and the terms and conditions for Plan 3. The terms and conditions set out in section 8 that if no intimation is received that the retirement date is being postponed to a newly chosen date or that benefits are being taken at the selected retirement date, the plan holder will be deemed to have chosen to postpone their retirement date to their 75th birthday.

I would like to note that this is not an unusual term for pension policies. And I'm satisfied Ms D was informed about this on at least two occasions in a letter and a message in June 2020.

The first time I can see that Ms D told Prudential of her plans to transfer or take any of her benefits at age 65 was on 11 August in an online message. This was after her 65th birthday and by this point the retirement date had already changed to her 75th birthday in line with the terms and conditions of the plan. Whilst I appreciate Ms D didn't actively select a retirement date of 75, she did so by not selecting a new postponed retirement date or letting Prudential know that she wanted to transfer benefits before her 65th birthday.

So when assessing the MVR, I'm satisfied Prudential correctly considered Ms D's selected retirement date to be 75.

In letters Ms D received it was made clear that an MVR could be applied. The only guarantee that was given was that no MVR would be applied in the event of death or if benefits were taken *at the selected retirement date*. Neither of this applied in Ms D's case as her new retirement date was in August 2030.

I've also considered the letter Ms D received on 13 July which she said told her that no MVR would apply if a transfer happened after the selected retirement date. However, I can't see this is the case. The letter says:

We guarantee not to take a market value reduction (MVR) on any money we pay out on death or at the selected retirement date.

As I said this guarantee did not apply to Ms D's circumstances. And it explained:

Market value reduction (MVR)

If the performance of the With-Profits Fund is lower than that reflected in the bonuses we have already added to your plan, we are likely to reduce the value of your units if you:

- *decide to retire before or after the date you reach your selected retirement age*
- *move the value of your plan to another pension plan*
- *switch out of the With-Profits Fund.*

This reduction is called a market value reduction (MVR). An MVR is designed to be fair to plan holders who leave the With- Profits Fund and those who remain invested.

By the time Ms D completed the paperwork to transfer her benefits she was aware her retirement age on Plan 3 had changed to 75 and the illustrations she was given did show an MVR. So I think she was given clear information before she made her choice.

I've also considered Ms D's argument that it was important for her to know which of her plans contained GARs to avoid losing valuable benefits and Prudential had given her conflicting information in this regard.

I absolutely agree that it was necessary for Ms D to have clarity which of her plans contained the GARs. And I can see that the letters in June don't make it clear which policy has a GAR and which doesn't. However, the letter on 13 July did make this information clear and Ms D has confirmed that this letter gave her the required information. This is also supported by her message to Prudential on 11 August where she says she understands Plan 3 has no GAR and that she wants to transfer only this plan and not the GAR policies to a new provider.

So in view Ms D had the necessary information to make a choice about Plan 3 and let Prudential know before her 65th birthday.

I appreciate Prudential sent Ms D incorrect information about Plan 3 having a GAR in a letter dated 10 August, which I'm assuming she received after her message sent on 11 August. This led to confusion and was only properly clarified later in August. However, all of this happened after Ms D's 65th birthday. So by this point the retirement date had already been postponed to 2030. And an MVR would have applied in any event, even if Prudential had not sent this incorrect information.

So overall, I'm satisfied Prudential was allowed to apply an MVR and Ms D was provided with sufficient and clear information in this regard.

My final decision

I don't uphold Ms D's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms D to accept or reject my decision before 26 August 2022.

Nina Walter
Ombudsman