

## The complaint

Mr A complained that Prudential Assurance Company Limited (Prudential) applied a market value reduction (MVR) to his policy when he did not take his benefits at his specified retirement date (SRD).

Mr A is represented by a financial adviser in bringing this complaint (Firm A).

## What happened

In December 1993, Mr A commenced a With Profits pension plan with Prudential. This plan had a specified retirement date.

In December 2019, some 6 months before the SRD, Prudential sent Mr A a retirement options letter, confirming both the current value of the policy and the SRD. This letter also confirmed that an MVR could be applied to the policy. The letter also explained what an MVR was and signposted where Mr A could find more information about this.

In early January, Prudential sent Mr A an annual statement, confirming the current value, SRD and that the current MVR assessed as being 'nil'. The letter also stated, 'MVRs can change from day to day.'

Mr A appointed a firm of financial advisers (Firm A) in February 2020, which contacted Prudential to confirm its appointment as Mr A's representative and requested information about the policy. Prudential subsequently wrote to Firm A enclosing a current valuation and an MVR factsheet. The letter confirmed a current MVR of 'nil', but also stated that an MVR may apply in future and confirmed the circumstances under which it may apply. The MVR factsheet also provided details when an MVR may have been applied to the policy. This included the following text:

*For pension plans, we guarantee not to apply an MVR at the selected/normal retirement date, as specified in your pension plan literature, or at the Anticipated Annuitisation Age for relevant income drawdown plans.*

A retirement notification pack was sent to Mr A on 19 April 2020. When Prudential had received no instructions relating to the policy by the SRD, it sent a deferral of pension benefits letter to Mr A on 29 June 2020. This letter confirmed that the SRD had passed. Copies of these documents were not sent to Firm A.

Firm A had called Prudential on 25 June 2020 to request a current transfer value of the plan, which at that time was c.£114,000 with no MVR. During a subsequent call on 3 July, the transfer value was given as c.£107,500, with an MVR of c.£6,600. A further call on 8 July confirmed that as the SRD has passed, a new default date of Mr A's 75<sup>th</sup> birthday had been applied to the policy. Mr A took this to mean that he could not access his benefits until then.

Prudential wrote to Firm A on 9 July 2020, confirming the figures given verbally in the call on 25 June (c. £114,500 with no MVR) as being correct on 25 June. This letter also confirmed that an MVR may be applied to the policy triggered by any transfer of benefits.

A transfer request was received by Prudential on 9 July 2020 and Mr A's benefits were subsequently transferred to a new provider and an MVR of c.£6000 was applied. Firm A complained on behalf of Mr A to Prudential in February 2021 that the MVR should not have been applied, as Mr A was at his stated retirement age when the transfer took place. Prudential responded to the complaint in March 2021, explaining that it had applied the MVR correctly and did not uphold the complaint. Firm A complained again in October 2021 that it had been informed verbally by Prudential staff that the MVR had been incorrectly applied and would be refunded. Prudential again investigated this complaint but could find no record of this in the call recordings it held, so did not uphold this complaint either.

Firm A, acting for Mr A, was not satisfied with this outcome, and complained to the Financial Ombudsman Service.

Our investigator reviewed all the information provided and reached the conclusion that Mr A's complaint should not be upheld, as Prudential had correctly applied the MVR in line with the policy terms and conditions. Mr A disagreed, so it's been passed to me to take a fresh look at all the evidence and 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.

Having done so, and considering the view of our investigator, I have reached the same conclusion and will not be upholding Mr A's complaint.

I can appreciate that this will be disappointing for him, so let me explain how I have reached my decision.

The key issue in this case is whether Prudential provided clear information to both Mr A and Firm A (acting on his behalf) of the circumstances in which an MVR could be applied to his policy and whether the MVR was correctly applied to Mr A's policy when it was transferred.

Looking first at the issue of whether Prudential provided enough information to Mr A and Firm A for them to appreciate that an MVR could be applied to the policy, I find that the information provided by Prudential was clear in this regard. MVR information was included in most of the documents sent to both Mr A and Firm A, including the fact that it could vary daily, according to the underlying fund values.

The fact sheet sent to Firm A on 3 February 2020 made explicit that Prudential guaranteed no MVR would be applied to benefits taken on the SRD or on the death of the policyholder but also made clear the circumstances in which it an MVR would apply. Although some documents were sent directly to Mr A alone, rather than to both Mr A and Firm A, I think it's reasonable to assume that the documents sent to Firm A had enough information to allow it to form a view about the circumstances in which an MVR may apply. Consequently, I conclude that Prudential has done nothing wrong in this respect.

Turning now to look at whether the MVR was correctly applied, I've reviewed the documents Prudential sent to both Mr A and Firm A relating to his policy. It was made clear in the documents I have seen that the Terms and Conditions of the policy allowed for an MVR to be applied if the benefits were taken at any time other than the SRD. The transfer request was received on 9 July 2020, nine working days after the SRD had passed, so I don't think that Prudential has done anything wrong here. Under the terms and conditions of the policy I find that Prudential correctly applied the MVR to Mr A's transfer.

### **My final decision**

For the reasons explained above, I do not uphold Mr A's complaint and I will not be asking Prudential Assurance Company Limited to do anything else.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr A to accept or reject my decision before 10 March 2023.

Bill Catchpole  
**Ombudsman**