

The complaint

Mr M complains that the pension secured by his section 32 policy with The Prudential Assurance Company Limited (Prudential) does not increase in payment.

What happened

Mr M says he had an employer's pension that was transferred to a section 32 buyout policy with Prudential. He thought it should carry increases in payment. He produced the original scheme schedule to show this. He wanted the Prudential to pay the increases. He said the policy schedule referred to increases in payment.

The Prudential said that the policy secured his Guaranteed Minimum Pension (GMP) earned by his employment. That GMP was earned by work before 1988. The law applicable to GMP's did not require increases to be paid on pre 1988 GMP by it. In the past the increases were in effect covered by the state but that had changed and the Government no longer paid increases on pre 6 April 1988 GMP. It said the policy wording on increases referred to section 37A of the Pensions Act which did not require increases to be paid on GMP accrued prior to 6 April 1988.

It accepted that it did not originally give a correct answer and offered to send £150 for trouble and upset.

The investigator said it was clear that the GMP Mr M had accrued was earned by work done prior to 1988 and therefore the law didn't require the Prudential to pay increases on the amount once it was in payment. While the policy schedule referred to increase it was clear that these were for benefits accrued after 5 April 1988 so didn't apply to his benefits which earned by work that ended in 1984. He didn't propose to ask the Prudential to take any further action.

Mr M didn't agree. He said the policy schedule referred to increases and felt it was misleading if they didn't apply.

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 have seen a copy of the original policy schedule dated 11 March 1993. I note that it says Mr M's pensionable service ended on 30 June 1984 (this is the in the section of the policy headed Termination Date and says his pensionable service ended on that day). It is therefore clear that work that he undertook which earned him a GMP was service before 6 April 1988.

The section on increases says that

'The guaranteed minimum pension referred to herein shall insofar as it is attributable to earnings for tax years commencing after 5 April 1998 be increased in accordance with the

requirements of section 37A of the Pensions Act and to the extent of any orders made under that section'.

I think the policy is clear that Mr M's work ended in 1984 and therefore his associated GMP earned from that work was accrued before 1988. As a consequence the section on increases for post 1988 accrual does not apply. I cannot see that there are any other provisions requiring increases to be paid on the amount of his GMP.

I think the policy wording is clear and I don't think the Prudential has done anything wrong in not paying increases on the GMP. I note that it has offered and may already have paid £150 for confusion in its original answer. I think that is fair and reasonable in the circumstances so I am not going to ask the Prudential to do anything further.

My final decision

I don't uphold this complaint and think that the Prudential has acted in a fair and reasonable manner.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 22 December 2022.

Colette Bewley
Ombudsman