

## The complaint

Mr C's representative has complained, on his behalf, about what he considers to have been the unprecedented uplift by The Prudential Assurance Company Limited in the value of its "PruFunds", which would indicate that they had previously been undervalued – and that the principle of "smoothing" which should have applied to the funds hadn't been properly implemented.

Due to a fund switch and movement into a holding fund, Mr C then missed out on the uplift, for which he and his representative consider he should be compensated.

## What happened

According to Mr C's submission to this service, Mr C had a review with his financial adviser in June 2021, in which it was agreed that, to better match his attitude to risk, he would switch from the PruFund RM2 fund into the PruFund Growth fund.

Again, according to the complaint form, Mr C was made aware of the 28 day "holding" period before the switch would complete, and during which he would be unaffected by any unit price adjustments (either upwards or downwards) which would be applied to either the ceding or recipient funds.

My understanding is that, according to Prudential, Mr C instructed the fund switch on 28 July 2021 (although I note the investigator said that this was 30 June 2021), following which Mr C's pension funds were sold 28 days later, then moved into the holding account and were then reinvested in the PruFund Growth fund on 25 August 2021.

On the same day, but before the reinvestment of Mr C's pension funds, Prudential applied a Unit Price Reset (UPR) which resulted in an increase in the value of all of the PruFunds. But as Mr C's funds were held in the holding account pending reinvestment at the time, he missed out on the uplift.

Mr C and his representative considered that Mr C had been disadvantaged by Prudential applying the uplift in this way and that his pension funds should benefit from the UPR. As such they complained to Prudential, but Prudential declined to uphold the complaint, saying the following in summary:

- Once the fund switch had been instructed, the pension funds were then subject to the 28 day waiting period, and the instruction couldn't be cancelled.
- The fund switch took place on 25 August 2021, and following this, the funds were subject to the same rules as any other investment in its PruFunds, in that they remained in the holding account until the next "sweep" (or reinvestment) date.
- As the funds were in the holding account when the UPR was applied, they weren't eligible for the UPR.

Dissatisfied with the response, the complaint was then referred to this service.

One of our investigators considered the matter, but didn't think the complaint should be upheld, saying the following in summary:

- In Mr C's complaint submitted to this service, he clearly described how the PruFunds, the smoothing, and any potential adjustments operated – and so it seemed he had a good understanding of this.
- Any potential UPR which may have applied to the PruFunds whilst Mr C's pension funds were in the holding account wouldn't have affected them. As the UPR was applied when Mr C's funds were in the holding account, they weren't eligible for the uplift.
- He was satisfied that this was in line with how the fund should operate, as set out in the terms and conditions and the key facts.
- The process, and the possibility of missing out on a UPR, seemed to have been discussed between Mr C and his adviser, and this was a risk which Mr C was prepared to accept.
- And in making the decision to switch, he couldn't hold Prudential responsible for this.
- He was satisfied that Prudential had applied the terms and conditions of the policy correctly, and by not being invested in one of the PruFunds for the entirety of the previous quarter, Mr C wouldn't have qualified for the uplift.

Mr C's representative disagreed, however, and requested that it be referred to an ombudsman for review.

### **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.

And having done so, I'm sorry to disappoint Mr C and his representative, but I've reached broadly the same conclusions as the investigator, and for similar reasons.

I've noted that there appears to be no fundamental issue with the switching process itself. As observed by the investigator, Mr C's representative appears to have been familiar with the process and had, according to the complaint form, conveyed this to Mr C.

And so there appears to be no dispute that, from a technical perspective at least, Prudential applied its switching process correctly.

The concerns seemingly lie with what Mr C and his representative consider to have been the failure of Prudential to properly implement its own smoothing process and which led to what they've described as an unprecedented uplift in the value of funds across the PruFund range. As such, they are of the view that Mr C's fund would have been undervalued before this, and that he should therefore still benefit from the uplift which was applied, even though his funds were in the holding account when the UPR occurred.

I've thought carefully about these arguments, but it would be very difficult for me to conclude that Prudential had improperly applied its smoothing process, especially when it has confirmed that it was implemented in line with the literature it provided on the matter. I'm not in a position to fairly or reasonably conclude that the uplift in August 2021 was unwarranted, or that this should in some way have been "evened out" by perhaps smaller increases over

time before August 2021. The manner in which Prudential makes such decisions is largely a matter for its own commercial judgement. Nor am I aware of any concerns that the regulator may have about the manner in which Prudential manages its With Profits funds.

But if Mr C or his representative do have concerns about the mechanism by which Prudential manages its With Profits fund, this is something which would in any case be better referred to the regulator.

I'm only able to consider individual complaints, and whilst I understand and acknowledge the concerns over how Mr C has been treated here, given that the switch and the UPR have been processed in line with the available literature and the terms and conditions, I don't think I can fairly or reasonably conclude that Prudential hasn't treated Mr C fairly.

### **My final decision**

For the reasons given, my decision is that I don't uphold the complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C to accept or reject my decision before 31 January 2023.

Philip Miller  
**Ombudsman**