DRN-4354074

The complaint

Mr S complains that The Prudential Assurance Company Limited failed to treat him fairly when he reached the selected retirement date on his pension plan.

What happened

Mr S held pension savings with Prudential. Those pension savings arose from plans that had originally been started in 1994 and 2000 with another firm that was subsequently acquired by Prudential. The pension plan had a selected retirement date of Mr S's 65th birthday in April 2023.

Mr S says that he selected the original pension provider, and that he left his pension savings with Prudential after the change of ownership, as he intended to purchase an annuity from the firm when he reached the selected retirement age. He says that all the information he'd received over the years had led him to believe that he would be able to purchase that annuity from Prudential on retirement in a seamless manner.

But Prudential had decided, a number of years earlier, to no longer offer annuities itself except in some specific circumstances such as when guaranteed benefits needed to be paid. So it had formed a partnership with another firm that would search the market to provide information on the available rates to its customers wanting to take an annuity.

In January 2023 Prudential wrote to Mr S to remind him that his selected retirement date was approaching, and to enquire how he wished to take his pension benefits. It also reminded Mr S that he didn't need to make any decision at that time and could defer his retirement to a date of his choosing, providing it was before his 75th birthday.

Mr S says that he initially faced some difficulties getting in touch with Prudential by telephone. So he sent an online message to Prudential advising that he intended to purchase an annuity when he reached the retirement date, and asking for details of how he could obtain quotations of the available rates.

Around a week later Prudential called Mr S. He says that on that call he was surprised to learn that Prudential no longer offered annuities itself and that he would need to be referred to the partner firm. He says he was asked at that time if he wished to move his pension savings into cash to protect its value from any market movements. Mr S declined that offer, as he says he expected his annuity to be put into payment by his selected retirement date the following April.

Mr S says he regularly monitored the value of his pension savings over the following weeks, and it remained relatively stable. But, around the date he had selected for his retirement, he says the value fell by around 3%. Mr S says that Prudential has failed to explain why that fall happened, and so concludes it is most likely due to a scheduled adjustment to the rates made by Prudential.

The day following his 65th birthday Prudential wrote to Mr S to say that it had automatically extended his retirement date to his 75th birthday as he hadn't taken his pension benefits. But it reminded Mr S that he would still be able to take those benefits at any time. Prudential later said that letter had been sent in error, and Mr S could disregard it.

I can see that Mr S decided to purchase an annuity from another firm. Prudential received a request to transfer his pension savings to that firm around a week after Mr S's 65th birthday. The funds were sent shortly afterwards (with their value backdated to the date the transfer request was received), and I understand that Mr S's annuity is now in payment.

When it looked at Mr S's complaint Prudential agreed that the level of service it had provided to him hadn't been as good as it would have hoped. So it paid him £175 as an apology for the inconvenience he'd been caused. But Prudential didn't agree that it needed to provide Mr S with his annuity directly, or that it was responsible for any falls in the value of his pension investments. Unhappy with that response Mr S brought his complaint to us.

Mr S's complaint has been assessed by one of our investigators. He didn't think Prudential had done anything wrong when it stopped offering annuities directly. And he didn't think Prudential had been responsible for the change in the value of Mr S's pension investments. The investigator thought that the compensation Prudential had paid Mr S for his inconvenience was fair. So the investigator didn't think Prudential needed to do anything further in relation to this complaint.

Mr S didn't agree with that assessment. So, as the complaint hasn't been resolved informally, it has been passed to me, an ombudsman, to decide. This is the last stage of our process.

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.

In deciding this complaint I've taken into account the law, any relevant regulatory rules and good industry practice at the time. I have also carefully considered the submissions that have been made by Mr S and by Prudential. Where the evidence is unclear, or there are conflicts, I have made my decision based on the balance of probabilities. In other words I have looked at what evidence we do have, and the surrounding circumstances, to help me decide what I think is more likely to, or should, have happened.

At the outset I think it is useful to reflect on the role of this service. This service isn't intended to regulate or punish businesses for their conduct – that is the role of the Financial Conduct Authority. Instead this service looks to resolve individual complaints between a consumer and a business. Should we decide that something has gone wrong we would ask the business to put things right by placing the consumer, as far as is possible, in the position they would have been if the problem hadn't occurred.

Mr S has been holding pension savings with Prudential, and the firm with which his plans were first started, for almost 30 years. So it isn't surprising that, when he reached the age at which he planned to make use of those pension savings, Mr S expected things to proceed smoothly. He says that he had kept his pension savings with Prudential, even after the original firm was taken over, since he found receiving an annuity from Prudential to be attractive.

But Prudential hasn't directly offered annuities to consumers (except in some limited circumstances) for a number of years. It doesn't seem that decision was something that Mr S had been made aware of. He says that if he had been told of Prudential's decision he might have decided to move his pension savings to another firm, or cashed them in entirely.

I can understand Mr S's frustration and disappointment when he learned he would be unable to take his annuity from Prudential. But what I need to consider here is whether Prudential has done something wrong, and most importantly whether that has caused Mr S to lose out.

I have no way of knowing whether Mr S would have decided to transfer his pension savings had he been told that he wouldn't be able to take an annuity from Prudential. But what I think is important for me to consider is whether a decision to transfer the pension savings would have ultimately resulted in Mr S receiving a higher pension income.

Mr S's pension savings were invested in Prudential's with-profits fund. But Mr S was able to select alternative investments if he thought they might be more appropriate to his circumstances. That was something he was told on each of the annual statements that he was sent. And Prudential didn't make any charges for switching investments, although a market value reduction ("MVR") might have applied at certain times. But a MVR would also similarly have applied had Mr S decided to move his pension savings to another firm, or cash them in.

I've not seen anything to make me think that Mr S was attracted by other investment opportunities with another firm that weren't available through his Prudential pension plan. So I'm not persuaded that moving his pension investments to another firm would have resulted in them having a higher value at retirement than the savings with Prudential had. So I don't think not knowing earlier about Prudential not offering annuities has caused Mr S to lose out in terms of having less pension savings at retirement.

Prudential put Mr S in touch with its partner that looked across the annuity market to find the best rates that Mr S could receive. So I'm satisfied that the annuities available to Mr S would have been at least as good as those he would have received had he moved to another provider. And on balance I think it most likely they would have been better. It would have been fortuitous had Mr S been able to select the provider offering the best annuity rates at his retirement date when he might have transferred his pension savings many years earlier. So I don't think needing to take an annuity from another provider using an open market search will have caused Mr S any financial loss either.

Mr S's pension savings were transferred to the annuity provider just a week after his 65th birthday. I appreciate that Mr S says they had fallen in value in the time shortly before his birthday. But I haven't seen anything that makes me think those falls in value were as a result of any direct actions by Prudential – instead I think they simply reflected changes in the value of the underlying assets held in the with-profits funds.

When Mr S spoke with Prudential in February, it asked him whether he wanted to move his pension investments into cash in preparation for his forthcoming annuity purchase. Mr S says that he declined that offer, thinking that the markets were relatively stable and that it was thought unlikely that the final bonus rates declared by Prudential that month would be later reduced.

I think it is important to remember that Prudential was not Mr S's financial advisor. So it couldn't advise him on the suitability of his investments or recommend any changes that it might be beneficial for him to make. Those were essentially decisions that Mr S needed to make for himself. And even if, as Mr S thinks might be the case, the reduction in the value of his pension investments was due to a correction applied by Prudential, that isn't something that its staff would have been aware of ahead of time. Warning customers of such a forthcoming change would defeat the object of any corrective actions taken by the fund managers.

The annual statements that Mr S had been sent over the years provided him with estimates of the annuity that might be available from his pension savings at retirement. But I don't agree with Mr S that the wording of that information gave any assurance that he'd be able to purchase the annuity from Prudential itself. And I don't think that the original terms and conditions of Mr S's pension plan gave that assurance either. They simply told him that "*annuities will be purchased from Scottish Amicable [the original provider] or from any other insurer as provided for in the Rules…"*

I appreciate that my decision will be very disappointing for Mr S but the evidence doesn't persuade me that Prudential has done anything wrong that has caused him to lose out. I don't think it unreasonable that Prudential stopped offering annuities to its customers. And although Mr S might have been unaware of that decision, I don't think he would have acted differently in such a way that his pension annuity would be higher.

But I think it is right that Prudential has recognised that the matters underpinning this complaint will have caused Mr S some distress and inconvenience. I've thought carefully about the amount of compensation that I think would be appropriate in the circumstances here. My conclusion is that the £175 that Prudential has already paid to Mr S is in line with what I would normally award in cases such as this. So I don't think Prudential needs to pay anything more to Mr S.

My final decision

For the reasons given above, I don't uphold the complaint or make any award against The Prudential Assurance Company Limited.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 9 November 2023.

Paul Reilly
Ombudsman