DRN-4727888

The complaint

Mr N complains that The Prudential Assurance Company Limited (Prudential) unfairly applied a market value reduction (MVR) to his personal pension plan (PPP) when he transferred it. He wants the MVR deducted paid to his new pension plan.

What happened

Mr N had a PPP with Prudential invested in the with profits fund. In October 2022 it sent a "wake up" letter reminding him that his selected retirement date was approaching. It set out points for Mr N to consider and said:

> *"You can choose to take your retirement benefits earlier or later than the selected retirement date. If you chose to do this, we may apply a Market Value Reduction (MVR)."*

The attached pension summary said the *"Retirement date"* was 1 May 2023 and the current fund value was around £169,850, which wasn't guaranteed and didn't include any MVR that may apply.

Mr N wanted to take his benefits through income drawdown and asked Prudential about this via its online portal. After some delay it provided information about taking benefits through an annuity. Mr N said he wanted drawdown. It said his plan didn't offer that, but it could arrange a new policy which did, although there would be advice charges for this. Mr N says he didn't want advice and frustrated by the delays decided to transfer his plan to another provider. He messaged Prudential on 3 April 2023 asking when the April bonus would be added to his policy. It replied on 11 April saying bonuses were applied in April each year and that his plan transfer value was £164,985 after the application of an MVR of £2,853.28. The letter said it *guaranteed "not to apply an MVR at your selected retirement date."*

Mr N responded on 12 April 2023 saying that he intended to transfer to a new provider:

> *"on maturity at or around 1 May 2023. Can you please confirm that in these circumstances the final bonus will still be paid and there will be no market value reduction"*

Prudential acknowledge receipt on 13 April 2023 and said the relevant department would be in touch. Mr N replied saying he'd requested a transfer to Vanguard. He asked Prudential to liaise with Vanguard over the timing of the transfer to avoid any MVR. It acknowledged this message and said it would be in touch. But on 12 April 2023 Prudential had also received a transfer request from Vanguard via the Origo transfer system. Which it processed on 13 April 2023, transferring the funds. Mr N says he was unaware of this until Vanguard confirmed receipt. Prudential wrote on 13 April 2023 confirming the transfer amount of £165,155.59. But Mr N says he hadn't received this before calling Prudential on 19 April 2023 for clarification. An MVR had been applied of £2,725. He complained about this, the delays and that his instructions hadn't been followed.

After some delay Prudential upheld the complaint in part. It apologised that its service had been poor. It paid Mr N £500 in compensation for the distress and inconvenience caused. But it said as the plan had two parts, one with a retirement date of 1 May 2023 and the other, 1 May 2028, meant an MVR still applied on 1 May 2023. But it had calculated that this hadn't disadvantaged Mr N, as the MVR would have been higher, at £3,381, on 1 May 2023.

Mr N said he didn't understand this as all the correspondence sent by Prudential said the retirement date was 1 May 2023. And the annual statements and "wake up" letters confirmed MVR didn't apply on the retirement date. He said if Prudential had transferred on 1 May 2023 as requested, the value would have been £168,265. So, he'd suffered a £3,110 loss, which should be paid to his new plan.

Prudential didn't respond until 9 October 2023. It paid Mr N another £250 for the poor service in failing to provide copies of documents he'd requested. But it said it wouldn't refund the MVR as it had been correctly applied.

Mr N referred his complaint to our service and our investigator looked into it, but he didn't uphold it.

Our investigator said Prudential had confirmed the plan contained protected rights (PR) and non-protected rights (NPR) elements. The PR part was used to contract out of the State Earnings Related Pension Scheme (SERPS) and received national insurance rebates. At the time the legislation meant benefits couldn't be taken before State pension age, then 65 for Mr N, in May 2028. The NPR part arose from his own contributions, and benefits could be taken between age 50 and 75. With him choosing age 55. When he didn't take the NPR benefits at age 55, the retirement date was reset to age 60, in May 2023, which Prudential had confirmed in writing.

Our investigator said the issue was to determine whether Prudential had made Mr N aware the plan had two retirement dates. He said it had confirmed the original policy schedule set this out as had the annual statements sent. He said the statements from 2017 and 2020 showed the two elements and the different retirement dates applying. He said in view of this he thought Prudential had provided Mr N with enough information to make an informed decision. He said that the compensation paid of £750 for the distress and inconvenience was fair.

Mr N agreed the 2016/17 statement did make the difference reasonably clear. But he said that this was many years ago and the last statement received from 2022 only referred to 1 May 2023. He said had he been told an MVR would apply, he wouldn't have transferred or would have enquired about a partial transfer of the MVR free element. He said he'd been conscious of 1 May 2023 deadline as the retirement date had been increased by five years in 2018, meaning MVR could then apply again. Our investigator said he still thought Prudential had adequately informed Mr N there were two retirement dates.

Mr N said his messages to Prudential made his requests clear and that he wanted to avoid any MVR. And it had ignored his instructions to liaise with Vanguard. He said it should have advised him that MVR would be applied before sending the transfer. Our investigator said Mr N hadn't allowed Prudential time to respond as he'd submitted his transfer request via Vanguard on 12 April 2023, when MVR would always apply. Mr N said he'd told Vanguard to avoid any MVR and it had said it would do so and that the transfer might take 10 weeks to complete, so he hadn't expected it to complete before 1 May 2023.

As Mr N doesn't agree it has come to me to decide.

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 I am not upholding the complaint.

I'm only considering Prudential's actions here and if Mr N has concerns about the instructions he placed with Vanguard, he will need to raise them with it first if he hasn't already done so.

I understand the frustration Mr N has been caused by what happened and I've considered his comments carefully. But I don't think Prudential unfairly applied the MVR. As he was aware the aim of MVR is to ensure fairness across all investors in the with profits fund if someone decides to realise their investment sooner than originally selected. As the smoothed plan value might be higher than the actual investment return achieved at that point, and if so, MVR might be applied to adjust this.

And there were always two parts to Mr N's plan. The legislation when the plan was taken out in 1989 meant his PR benefits couldn't be taken before age 65. And this was also set out in the plan's terms and conditions. Pension rules have changed since then, and I wouldn't expect Mr N to necessarily recall this information from such a long time ago. But I think the two retirement dates were referenced clearly on the annual statements sent to him. On the statement for 2019/20 the possible benefits were forecast to the two different retirement dates.

I agree this was less prominent on the statement for 2022 because as this was less than a year from the NPR retirement date. And this meant a forecast for that part to May 2023 wasn't included, which the statement confirmed. But a forecast to May 2028 for the PR part was, with a lower projected value than the total current value of the plan which was also quoted. The statements also caveated the reference to 1 May 2023 retirement date as being the *"earliest date shown"*. So, taken together, I think there was enough information for Mr N to have been reasonably aware that 2023 wasn't the sole retirement date.

Mr N is correct that a retirement date in 2028 wasn't referenced on the "wake up" letters. But these are generic letters aimed at nudging plan holders to obtain more information, so they can consider their options in the run up to retirement. They don't set out specifics. In this case it is unfortunate that the Prudential plan didn't offer drawdown. Had it, it's more likely than not that the MVR issue on the PR element would have been highlighted.

But Prudential wasn't giving Mr N advice, and he specifically didn't want any. So, I do think it was his responsibility to check all the particulars before instructing a transfer or accessing benefits. Prudential did send him a letter via the messaging system confirming that an MVR applied on 11 April 2023. Whilst this letter also referenced 1 May 2023 it did prompt Mr N to seek further clarification about any MVR on 12 April 2023. But it seems he had already authorised Vanguard to make a transfer request, which it made that day. And I don't think Prudential had chance to reply or elaborate further.

It's unfortunate that having taken some time to respond to Mr N's initial queries Prudential dealt with the transfer request from Vanguard very efficiently. Processing this the day after it was received, the same day he said he wanted Vanguard and Prudential to liaise and delay the transfer. Unfortunately, that was too late. Transfers are initiated by the receiving pension, so Vanguard. And I can't reasonably find fault with Prudential for promptly acting on the transfer request it received. As it would have needed to simultaneously pick up Mr N's separate messages to then delay the transfer.

Prudential has apologised for its service being poor and there were delays in responding to Mr N. It has already paid £750 for the distress and inconvenience this caused him. I think that's fair in the circumstances of the complaint and I don't think Prudential needs to do any more than it already has. So, I can't uphold his complaint.

My final decision

My final decision is that I do not uphold the complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr N to accept or reject my decision before 27 June 2024.

Nigel Bracken
Ombudsman