

The complaint

Mrs F says The Prudential Assurance Company Limited is responsible for several failings in relation to the charges applied to her personal pension. She also says she wasn't allowed to make additional contributions to her policy. As a result she says she's suffered financial detriment, distress and inconvenience.

What happened

Mrs F took out a personal pension plan with Scottish Amicable in 1989. She was advised to invest £30 per month into a managed fund. The selected retirement age noted was 60. The policy started on 5 April 1989. The associated documentation confirmed an installation charge of £20 and an annual policy charge of £15.

In 1997 Prudential took over Scottish Amicable and with effect from April 2001, it changed the policy charging structure.

In 2010 Mrs F applied to increase pension contributions. But Prudential wrote to her explaining this wasn't possible for the policy she had.

Between 2010 and Mrs F's retirement on 11 August 2023, Prudential sent her various correspondence about her pension, including annual statements.

Mrs F made several calls to Prudential between 2021 to 2023, with the majority of these enquiries concerning the charges being levied on her plan. She had multiple concerns, including about the level of the charges, why they had changed since the inception of her pension plan and the lack of communication around these changes.

Mrs F couldn't get a proper answer to her questions so she raised a complaint with Prudential. It responded on two occasions, most recently on 1 February 2024. It apologised for its handling of her queries and tried to give her assurances about the matters she'd raised. It acknowledged it had provided poor customer service and that it had been responsible for a lack of communication in relation to changes it had made to charging on her policy. It offered her £500 in recognition of the trouble and upset it had caused.

Mrs F wasn't satisfied with Prudential's responses and she brought her case to this Service to consider. An Investigator looked into her complaint and upheld it. She didn't find that prudential had done anything wrong by not allowing her to increase her pension contributions or by making changes to the charging structure.

The Investigator did however conclude on occasion Prudential had provided Mrs F with misleading, unclear or inadequate information in relation to her pension. Considering the compensation it had already offered Mrs F, she thought it should increase its offer by a further £250 because the problems had been ongoing over a period of years.

Prudential accepted the Investigator's findings. Mrs F responded in the following terms:

“...I would appreciate a second ombudsman looking through my case. Prudential have admitted in their latest correspondence not sending me paperwork that are important to me. They also on many occasions admitted that I couldn't even get onto my own pension account as they were having IT issues migration of old policies onto their new IT system.”

As both parties couldn't agree with the Investigator's conclusions Mrs F's complaint has been passed to me to review afresh and to issue 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.

Where there's conflicting information about the events complained about and gaps in what we know, my role is to weigh the evidence we do have and to decide, on the balance of probabilities, what's most likely to have happened.

I've not provided a detailed response to all the points raised in this case. That's deliberate; ours is an informal service for resolving disputes between financial businesses and their customers. While I've taken into account all submissions, I've concentrated my findings on what I think is relevant and at the heart of this complaint.

I'm upholding Mrs F's complaint to the same extent that the Investigator did. I'll explain why.

The first thing I've considered is the extensive regulation around the services like those performed by Prudential for Mrs F. The FCA Handbook contains twelve Principles for businesses, which it says are fundamental obligations firms must adhere to (PRIN 2.1.1 R in the FCA Handbook). These include:

- Principle 2, which requires a firm to conduct its business with due skill, care and diligence.
- Principle 7, which requires a firm to pay due regard to the information needs of its clients, and communicate information to them in a way which is clear, fair and not misleading.

So, the Principles are relevant and form part of the regulatory framework that existed at the relevant time. They must always be complied with by regulated firms. As such, I need to have regard to them in deciding Mrs F's complaint.

I note in responding to the Investigator's view, Mrs F hasn't provided any new evidence or arguments in relation to the complaint she raised with this Service.

The first matter I considered was the point raised by Mrs F about being stopped by prudential from making additional contributions to her personal pension.

I've read a copy of the letter Prudential sent to Mrs F on 10 February 2010 responding to her request to increase her pension contributions. It explained while it was not possible to add indexation to the plan she had. However, it was possible for her to save further for retirement by completing a new application form and creating a new policy. And Prudential said she should seek the advice of her financial adviser before proceeding.

While I recognise at the time Mrs F may've been disappointed about not being able to make additional contributions to her existing plan, Prudential did set out how she could go about doing so. It seems she didn't take matters any further.

Turning to the changes Prudential made to the charges on Mrs F's pension policy with effect from April 2001, compared with what they were at inception. I've reviewed the policy documentation it has provided and can see the terms and conditions of her policy allowed for such changes to be made.

While I agree with the Investigator that Prudential was working within the provisions available to it, I consider it is responsible for the ongoing poor communication of these matters to Mrs F and a failure to help her understand the actual impact on her position.

In responding to Mrs F's complaint in February 2024, with regard to this matter Prudential said (bolding is my emphasis):

"As discussed, I have reviewed the policy you previously held with us and reviewed the terms and conditions. The charge which is referenced in the documents you sent to us is an annual policy fee. This was a fixed rate fee which all holders of this series of policy would pay and was paid by deducting units from your policy on the policy anniversary date."

*"In 2001, following changes in the pension market we took the decision to remove this charge from your policy. While **we believe this is a positive change to the policy**, I accept we could have been more proactive in notifying of policyholders of this change. I am sorry we did not do this."*

*"The annual management charge (AMC) that you are querying, unlike the policy fee, is not an explicit charge taken directly from your policy. It is a charge that is taken into account when the unit price of our investment funds is calculated. As this charge was not physically removed from your policy and therefore not quantified, historically this was not quoted on any documents. Recent changes in regulations meant we have to give an indication of this charge for each policyholder. This is why it has only recently been shown. **It is important to note however this is not a new charge which has been introduced but was always applicable to our investment funds.**"*

*"I would therefore like to reassure you at no time where we taking charges which were not documented in the policy terms and conditions and in fact **as noted above the charges were less than you had originally signed up for.**"*

The Investigator considered that Prudential hadn't done enough to demonstrate the assurances it made in its final response to Mrs F. She requested a breakdown of charges applied to her pension policy had they remained as when the policy was established, and following the changes to its charging structure. This would provide a comparison between April 2001 until she took her benefits in 2023.

At the time of writing her view Prudential hadn't managed to provide these workings. And the Investigator noted:

"I understand Mrs F's concern and her need to understand the amount she has been charged over the years. Whilst I understand it's not standard practice, I'm pleased Prudential's actuarial team is currently working on putting historic charges in monetary terms for Mrs F."

I will require Prudential to provide this information to Mrs F.

Mrs F noted how she was misled about the fund in which her pension was invested and this caused confusion. On 10 December 2020, she was sent a letter from Prudential explaining that her pension plan was invested in the Scottish Amicable Insurance fund and that this was merging with the With-Profits Sub Fund. However, Prudential told the Investigator her contributions had always been invested in the Prudential Managed Pen Pre Ser A-01 since inception. Documentation on file supports this.

This misinformation caused Mrs F further unnecessary confusion and it doesn't seem Prudential ever provided her with clarification on this point.

Finally, in respect of the customer service Mrs F received in respect of the issues she's complained about, Prudential have accepted that this wasn't good enough and that it had been responsible for multiple failings.

Putting things right

I require The Prudential Assurance Company Limited to conduct the calculations it undertook to provide the Investigator during the course of her enquiries. It should provide this information to Mrs F in a clear and simple format, so that she can see the effect of the changes it made to the charging regime on her policy with effect from 2001. I would expect this to evidence the assurances it provided to her in its final response letter of 1 February 2024.

When I'm considering a complaint like Mrs F's I think about whether it's fair to award compensation for distress and inconvenience. This isn't intended to fine or punish a business – which is the job of the regulator. But when something's gone wrong, recognition of the emotional and practical impact can make a real difference.

We're all inconvenienced at times in our day-to-day lives – and in our dealings with other people, businesses and organisations. When thinking about compensation, I need to decide that the impact of a firm's actions was greater than just a minor inconvenience or upset. It's clear to me that this was the case here.

The Prudential Assurance Company Limited has accepted it got things wrong for Mrs F. The Investigator thought it should increase its offer of compensation from £500 to £750 in recognition of the distress and inconvenience its failings caused her. I think that award is fair in the circumstances of this case. If The Prudential Assurance Company Limited has not paid this sum, or any element of it to date, it should now honour this total sum.

My final decision

For the reasons I've already set out, I'm upholding Mrs F's complaint. The Prudential Assurance Company Limited should now put things right in the way I've directed.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs F to accept or reject my decision before 20 December 2024.

Kevin Williamson

Ombudsman