

The complaint

Mrs G complains that Prudential applied a Market Value Reduction (“MVR”) without telling her it was going to do so when she instructed it to transfer her pension to another provider. Mrs G complains that she was only informed after the MVR was applied.

What happened

Mrs G received annual statements each year from Prudential. The annual statements described the MVR as follows:

“Market value reduction (MVR)

This is an amount we might deduct from certain withdrawals you take, or certain switches you make, from the With-Profits Fund. It’s our way of being fair to all of our With-Profits customers. MVRs help make sure that everyone gets a return based on the earnings of the With-Profits Fund over the time their payments have been invested in it. MVRs can change from day to day...”

Her statements said the following in relation to the amount of MVR which would be applied at each statement date:

Year	Amount of MVR
2019	£656.19
2020	£841.50
2021	Nil
2022	Nil
2023	Nil

Prudential wrote to Mrs G in July and October 2023 it said:

“... An MVR wouldn’t apply if you take benefits at your selected retirement date or due to any payments as a result of your death...”

It was stated that an MVR hadn’t been applied when calculating her pension. Her retirement date was specified as 7 January 2024.

Prudential also wrote to Mrs G’s financial adviser in December 2023. The letter to the financial adviser said the following:

“Market Value Reduction

A Market Value Reduction (MVR) doesn’t currently apply to benefits held in the With-Profits Fund but may apply in the future. We guarantee not to apply an MVR in certain circumstances e.g. upon death or your Selected Retirement Age.”

“Market Value Reduction (MVR)

If the performance of the With-Profits Fund is lower than that reflected in the bonuses we've already added to your plan, we're likely to reduce the value of your pension benefits if you:

- *decide to take your benefits before or after the date you reach your selected retirement age/date, as specified in your plan literature*
- *move the value of your plan to another pension plan*
- *switch out of the With-Profits Fund.*

This reduction is called an MVR. An MVR is designed to be fair to plan holders who leave the With-Profits Fund and those who remain invested."

As Mrs G hadn't applied to take her benefits by her selected retirement date of 7 January 2024, the following day Prudential wrote to her saying it had extended her retirement date by 15 years, to her 75th birthday.

In late February 2024, Mrs G made a transfer request. The scheduled completion date for the transfer was 9 March 2024. Prudential transferred the funds to the new provider on 28 February 2024. The amount transferred was around £70,000. Prudential confirmed to both Mrs G and her adviser in February 2024 that an MVR had been applied on transfer of around £3,320.

Mrs G's adviser contacted Prudential on 8 March 2024 and said that between the date he was last in contact with Prudential and the date of transfer neither he nor Mrs G had been informed that an MVR would be applied to her transfer. The financial adviser considered that Prudential had not acted in line with the customer duty of "*avoiding foreseeable harm*" and "*good outcomes for consumers*".

Prudential told the financial adviser that MVR's changed on a daily basis, so it was not possible to let customers know in advance whether an MVR was going to be applied and the amount of it. It said it would not have known that even the day before.

Mrs G's financial adviser asked Prudential whether the transfer could be reversed. Prudential told Mrs G's adviser on 14 March 2024 that if she no longer wished to proceed with the transfer, it could be cancelled. It said the funds would need to be returned from the other provider for the transfer to be cancelled.

In April 2024, Prudential issued its final response on Mrs G's complaint. It did not consider it had done anything wrong. Prudential said it would not send notification of an MVR being applied pre-transfer unless this was requested. Further, it said its correspondence explained what an MVR was and how it came to be applied. Prudential observed that Mrs G hadn't arranged for the money to be sent back to Prudential from the new provider, to enable the transfer to be cancelled.

On Mrs G's behalf her financial adviser disagreed with Prudential's response.

Unable to resolve the complaint between themselves, Mrs G's complaint was referred to our service. In addition to the points raised above, Mrs G's adviser queried how it was possible to quote an MVR in annual statements, if the information was not readily available.

Our investigator looked into Mrs G's complaint and did not uphold it. He considered that the consumer duty did not apply because it only applies to complaints about *open products* and services where the event being complained about took place on or after 31 July 2023, and for closed products and services for complaints about events that took place on or after 31 July 2024.

He said that Prudential had confirmed that the product being complained about was a closed product, ie a product that isn't currently available to buy or renew. Examples of closed products include where existing pension policyholders can continue to make contributions to a pension that's no longer sold to new customers. He concluded that because this was a closed product, he could not consider the implications of what occurred prior to July 2024. The date of the event being complained about would've needed to have happened on or after 31 July 2024 for it to be relevant.

The investigator's view was also that Prudential had made it clear from 2019 onwards that an MVR may apply. It had also been referred to in other correspondence between Mrs G (and/or her financial adviser) and Prudential.

In our investigator's view Mrs G ought to have been reasonably aware that an MVR may be applied. Further he did not consider it reasonable that Prudential should have to notify With-Profits customers each time an MVR changed. He concluded that this information could've been obtained from Prudential immediately before transfer, but he could not see any evidence of either Mrs G or her financial adviser asking for this. Further, it was open to Mrs G to make it clear that she did not want the transfer to go ahead if an MVR was going to be applied.

In terms of the annual statements our investigator said that the information on the statement related to a particular day and so was historical and the details of the relevant MVR would have been available at the time the statement was produced.

Our investigator did not recommend that Prudential needed to do anything else to put matters right.

Mrs G did not agree and asked for her complaint to be referred to an ombudsman. She said, in summary, that as there was no logical way for a customer or their adviser to know if an MVR was going to be charged, it should be incumbent on Prudential to make the customer aware if there was going to be a significant change – here the equivalent of a 4.5% exit fee. She considered the appropriate thing to do would've been to delay the transfer and do a sense check with the adviser or the consumer, knowing that neither were aware prior to transfer of the MVR being applied.

Mrs G's complaint comes to me to issue a decision on.

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 appreciate that Mrs G was disappointed to find that an MVR had been applied when she transferred. However, I think Prudential communicated clearly and regularly in advance of applying that MVR what an MVR was, and the circumstances in which it may be applied. I do not consider that Prudential acted wrongly when it applied the MVR. The circumstances in which Prudential told Mrs G an MVR would not be applied (when taking benefits at selected retirement age or upon death) were not relevant in Mrs G's circumstances.

The next issue for me to consider is whether Prudential did anything wrong in not telling Mrs G what the MVR was before actioning the transfer. I accept what Prudential has said about the information not being available until the day of transfer and it not routinely telling customers when an MVR changed. I think it wasn't unreasonable of Prudential not to tell Mrs G that an MVR was being applied pre-transfer and the amount of it. In reaching this conclusion, I have considered that neither Mrs G nor her financial adviser gave Prudential

the impression that they only wanted the transfer to go ahead if an MVR was not being charged or they wanted to know how much it was before deciding whether to transfer. So, I can't see that Prudential were on notice that this was a particularly important consideration for Mrs G.

Given also that it was possible to cancel the transfer, which presumably would've resulted in the MVR being cancelled too, then I can't fairly conclude that Mrs G has lost out financially as a result of Prudential's actions. It would have been possible to restore her to the same position she was in pre-transfer. I have not been made aware that the money was returned to Prudential to cancel the transfer.

I agree with our investigator regarding the consumer duty. Prudential have said the product concerned is a closed product and therefore the consumer duty does not apply because this occurred prior to 31 July 2024.

Overall, I do not consider that Prudential has acted unfairly or unreasonably in the way it went about applying an MVR and informing Mrs G of it. I therefore do not uphold Mrs G's complaint.

My final decision

For the reasons explained above, I do not uphold Mrs G's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs G to accept or reject my decision before 8 November 2024.

Kim Parsons
Ombudsman