

## The complaint

Mr S complains that The Prudential Assurance Company Limited (“Pru”) closed a fund within his regular investment plan and replaced it with a fund he didn’t want to invest in.

## What happened

Mr S has held a regular investment plan with Pru since 1978. Within this he held units in the Prudential M&G Recovery (UTAP) fund. In December 2023, Pru sent a letter to Mr S to inform him of the planned closure of the fund in February 2024. The letter explained that this fund would be replaced with Prudential M&G UK Sustain Paris Aligned (UTAP), which had the same risk and reward indicator but with a 0.2% increase in the ongoing charge.

Mr S complained to Pru in February 2024. In summary, he said:

- It was unfair for Pru not to allow investors the opportunity to choose their own replacement fund.
- No justification was provided as to why the new fund was selected, despite it having both a higher ongoing charge and a different investment strategy.
- Pru says its closed the fund due to reduced confidence in how consistent returns would be in the future, however, the replacement fund has consistently failed to achieve its stated objectives since being rebranded in 2022. Also the four largest investments held within it are the same companies held within the closing fund.
- He was unhappy that Pru’s letter said that it would charge him 0.8% as an immediate investment write-down.
- Pru failed to provide estimated transaction costs on the grounds that the fund manager may adjust the price they offer, despite the switch being made entirely in-house.
- He considered it unacceptable that Pru was forcing investors to exit the fund at a substantial cost to them because it had lost confidence in the fund, especially considering the poor performance is attributable to its own management of the fund.
- Pru had failed to provide a sufficient notice period during the busy Christmas period, and it failed to advise him to seek independent professional advice on the charges it was imposing.
- Pru’s proposed actions violate the UK Consumer Duty law which requires it to deliver good outcomes for retail customer and to act in their best interests.

Pru looked into Mr S’s concerns but didn’t uphold his complaint. In summary, it said:

- Closing a fund is not an option it takes lightly and when it does decide to do so it looks to select a replacement fund that has the most similar investment objective and risk rating, as well as aiming to keep the fund costs and charges the same or lower (when possible).
- It estimated the possible transaction costs as best as it could, but the actual costs are only known when the transaction occurred.

The fund switch completed on 16 February 2024. Mr S felt aggrieved that Pru went ahead with the switch without any consideration of the objections raised in his letter of complaint

and without detailing the costs involved. He also says he didn't receive any contract notes to provide some transparency of the costs involved. Mr S also says he has incurred further losses as a direct result of the transfer due to the poor performance of the fund.

As Mr S remained unhappy, the complaint has been passed 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.

I've also fully considered the regulatory obligations of Pru acting a regulated firm by the Financial Conduct Authority. Having done so, I've reached the same conclusion as that reached by the investigator. I'll explain why.

Looking at the terms and conditions of Mr S's account, these explained the following:

*“Accumulation units of the Fund to which benefits are related shall be deemed to include accumulation units of any other unit trust or similar scheme resulting from the termination or conversion of the Fund to which benefits are related.”*

Therefore, I think it was made clear to Mr S that Pru could terminate a fund and that it would re-invest his units into another fund. Pru has explained that it closed the fund due to its confidence in how consistent returns would be produced in the future had significantly reduced. Ultimately, I'd consider Pru's decision to do so to be a legitimate commercial decision that our service wouldn't look to interfere with. However, I've gone on to consider whether Mr S has been treated fairly by Pru following its decision to close the fund.

Mr S has raised concerns regarding the costs involved in the transfer, the notice period given (including the automatic allocation of units in the new fund once the two-months' notice period elapsed) and the choice of fund he moved into. So I will address each of these separately below.

I appreciate Mr S says he incurred transaction costs as a result of Pru's decision, however, Pru has confirmed that the fund switch was actually free of cost and that no charges were applicable. Pru says that the only charge applicable to the policy is the Annual Management Charge.

I understand the fund closure letter Pru sent Mr S dated 5 February 2024 explained the following:

*“We won't charge you for the changes we're making. We'll use all the money from the fund being sold to buy units in the replacement fund. But you may still be subject to transaction costs, and here's why:*

- *when we close a fund, we'll sell your units in that fund at the current market price, this may be impacted by a bid-offer spread. This is simply the difference between the price at which you can buy a unit or share and the price at which you can sell it.*
- *and we'll buy units in the replacement fund at the price offered by the fund manager at that time. We won't know in advance, but the fund manager may adjust the price they offer to ensure there is no impact on their other investors.*

*We've estimated the possible transaction costs as best we can, but the actual costs are only known when the transaction happens. They may be higher, or lower than the figures*

*we've provided in your letter."*

I note that further correspondence sent to Mr S from Pru gave an estimate of costs:

*"we've estimated the effect to be approximately 0.83% or £8.30 for every £1.000 invested in the closing fund. The transaction costs provided are based on our current understanding, and best analysis, but may be subject to change."*

However, Pru has now explained that the fund closure letter was issued with a generic format which also included the transaction cost information, but these weren't charged to Mr S. I note that Pru sent Mr S a statement dated 3 May 2024 confirming the changes and the unit prices it achieved when the transfer was completed on 16 February 2024. This statement didn't show any transaction costs and so I'm persuaded, on balance, that no transaction costs were incurred.

Turning to Mr S's point regarding the choice of fund. It would appear from the information provided by Pru that it didn't give investors like Mr S a choice to select a different fund. I think this is understandable considering the amount of work involved in switching many investors to new individually selected funds. Furthermore, the terms and conditions explained that Pru would look to put investors into a similar fund, which I'm satisfied it did here. Looking at the Prudential M&G Recovery (UTAP) fund before its closure, the fund's assets were invested primarily in UK and international equities across various sectors. The Prudential M&G UK Sustain Paris Aligned (UTAP) appears to have included some of the same underlying assets. I appreciate Mr S has raised concerns that the four largest investments held within the Prudential M&G UK Sustain Paris Aligned (UTAP) are equities in the same companies held within the closing fund. Whilst I accept this is the case, it remains that the new fund does also include equities in different companies to that held within the closed fund and ultimately, Pru had to choose a fund that was similar to that of the closed fund in order to avoid contradicting its terms and conditions. This is clearly a finely balanced exercise and requires that Pru considers the underlying assets in the previous fund and those of the new fund in order for it to be sufficiently similar in makeup. When making the decision to close the fund, Pru also had to consider the best interests of all of its investors that had units in the fund. As such, I consider Pru's decision to automatically move investors into the new fund after the two-month time limit elapsed to be fair and reasonable as it ensured investors who may have missed the communication or not taken any action would remain in the market rather than being dis-invested and their funds remaining in cash. Fortunately, this wasn't the case for Mr S as he was fully aware of the transfer and was actively involved in considering his options. Although he may have preferred to have more time to fully consider his options, I'm satisfied Pru's decision to go ahead with the transfer was fair, considering it had given sufficient notice and it avoided Mr S's funds being out of the market and in cash.

Looking at the correspondence between Mr S and Pru, it's clear that he was given the option to cash in his investment instead of transferring to the new fund if he wasn't happy with the fund selected. And it would appear that he did explore this option with Pru. However, this option may have attracted an immediate Capital Gains Tax liability and so it's understandable why Mr S may have not decided to go ahead with this option. But ultimately, it was Mr S's responsibility to weigh up these options and select which he was most comfortable with.

I've also considered Mr S's point regarding the short notice period provided by Pru and that it failed to suggest he took independent financial advice. I appreciate that the notification was provided on 15 December 2023 – close to the Christmas period. However, I don't find a two-month notice period to be unreasonable. Furthermore, from the correspondence provided, it's clear that Mr S was engaged in conversation with Pru throughout the notice period and

he was considering the options available to him. I also note that in the letter Pru sent him on 5 February 2024, it had explained that he may want to speak to a financial adviser regarding the switch and provided a website he could use to find one in his area. As such, I don't agree that Pru didn't explain the option to speak to a financial advisor.

Finally, I understand that Mr S believes he has incurred losses due to the performance of the new fund. However, Pru wasn't providing Mr S with financial advice and so it was his responsibility to transfer his investment out of the fund if he was unhappy with the performance. I appreciate his point that he wouldn't have incurred these losses but for Pru's decision to switch him into this fund, but I'm satisfied he did have the option to cash out of his investment when he was notified of the previous fund closing but he chose not to do so before the switch was instigated. So I don't think it would be fair or reasonable to hold Pru responsible for any investment loss as a result of Mr S remaining invested in the new fund.

So taking everything into account, I'm satisfied Pru has acted fairly in deciding to close the old fund and by moving Mr S into a similar fund available. I've also not been provided with any evidence to support that Mr S has incurred transaction costs as a result of the switch.

### **My final decision**

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

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 8 January 2026.

Ben Waites  
**Ombudsman**