DRN-5245310

The complaint

Mr W complains that The Prudential Assurance Company Limited (Prudential) unfairly took charges from his pension plan. And that it never explained those charges to him. He also complains that the performance of his pension has been worse than that he was advised about at the time of sale.

What happened

In 1985, Mr W took out a Personal Retirement Plan with Prudential. This had quarterly premiums of £60 and a guaranteed basic annuity of at least £1,831.50.

Mr W said he purchased the plan because the Prudential representative provided him with a written quote for what he would get from the plan at retirement. This was handwritten on Prudential-headed paper and stated the following:

£60 Q cash

Lump sum 98,169, pension 10 year certain 28,338

The plan started on 1 December 1985, with Mr W initially paying premiums of £60 each quarter.

Mr W met with Prudential's representative again in 1987. He agreed to increase his quarterly premiums by £30 with effect from 1 December 1987. This increase meant that the guaranteed basic annuity for the plan went up by at least £887.60, leading to a total guaranteed value of at least £2,699.10 each year.

I understand that Prudential sent Mr W regular illustrations over the years. The earliest paperwork I've seen is from 1991. That illustration was based on future annual rates of investment return of 13% and 8.5%. And showed a projected pension of between £13,800 and £45,600 each year from 2026, not allowing for the impact of inflation.

As time went on, the illustrations Prudential sent to Mr W assumed reducing rates of investment return. For example, the illustration from 1994 assumed future annual rates of investment of 12% and 6%. It stated:

The illustrations shown may be lower than those you may have received previously. This is because, from 1 November 1993, LAUTRO has reduced the rates of return to be used for illustration of future benefits.

The New LAUTRO rates reflect a likely future climate of lower inflation and investment returns than we have seen In recent years.

Please note that the illustrations do not affect the actual benefit you will receive In any way.

Prudential's 22 January 1999 illustration assumed future annual rates of investment of 12% and 6%. And showed a lower projected pension of between £6,060 and £23,800. It also showed much lower projected pension figures in "*present money terms*", that is, allowing for the impact of inflation.

The 1999 illustration confirmed that the projections weren't guaranteed. It stated:

1. *Illustrations of pension benefits*

   These figures are only examples and are not guaranteed - they are not minimum or maximum amounts.

   You could get back more or less than this.

   Your benefits will depend on how your investments grow, the rate of final bonus applicable at the time you retire and the terms at the time you retire for converting pension into cash.

The 2001 illustration assumed future annual rates of investment return of 9% and 5%. And provided the same warnings that the projections weren't guaranteed as the 1999 illustration.

The 2014 illustration assumed future annual rates of investment return of 5.5% and -0.5%.

The 2016 illustration assumed the same future annual rates of investment return as the 2014 illustration.

The 2021 illustration assumed that Mr W's investments would grow by 3% every year after allowing for an assumed rate of yearly inflation of 2%. It also stated:

The notes on the illustrations confirm the figures are only examples and are not guaranteed. They are not minimum or maximum amounts. What you will get back depends on how your investments grow. You could get back more or less than this. The notes also confirm all insurance companies use the same rates for illustrations, but their charges may vary.

Prudential wrote to Mr W on 30 May 2022 about his retirement options. It said the current transfer value of his plan was £64,334.83 as at 30 May 2022. But that the value wasn't guaranteed.

On 8 June 2022, Mr W sent Prudential a completed "appropriate advice" confirmation form. And on 28 June 2022 Prudential wrote to Mr W's new provider enclosing a cheque for £65,902.91.

On 15 March 2024, Mr W called Prudential to ask about his plan. He said he wasn't happy with the quote he'd been given at the stat of the plan.

Mr W wrote to Prudential about his complaint on 29 April 2024. He said he wanted an explanation for the following:

- The charges on his plan. He said he'd never had any explanation or indication of charges from Prudential.
- The 1985 quote he'd received at the point of sale.
- Why his plan hadn't been included in the industry-wide pensions review.

Prudential issued its final response to the complaint on 30 May 2024. It didn't think it'd done anything wrong. It said that the quotes and illustrations it had given Mr W simply predicted what might happen, based on assumed future investment returns. And that they didn't guarantee those returns. It also said that the illustration it'd given Mr W in 1985 had been completed in line with the rules and regulations at the time.

Prudential also said that the illustrations it'd sent Mr W over the years had been based on the rules and regulations at the time they were issued. And had stated that the illustrations were only examples and weren't guaranteed. It noted that over the years, its regulator had revised downwards the assumed future rates of investment return that must be used in illustrations. And said that these changes had considerably impacted the level of the illustrated future benefits.

Prudential said that at the point of sale, it'd provided Mr W with all the relevant documents that explained how his pension worked, including a key features document which explained the relevant charges on his plan.

Mr W raised further points in a follow up letter to Prudential on 5 June 2024. These were:

- A request for a copy of his plan's terms and conditions, including charges.
- A request for the total amount of charges he'd paid from 1985 to 2019.
- Mr W said the 1985 quote had never been properly explained to him. He said he'd taken the plan out on the basis that the quoted values were certain, but his pension was much lower. He wanted to know why.

Prudential issued a second complaint response on 21 June 2024. It maintained it'd done nothing wrong. It said the 1985 quote didn't show guaranteed figures. It was simply a projection like those on the annual illustrations it'd sent to Mr W. It said there was nothing on the handwritten quote that stated that the figures were guaranteed.

Prudential shared a copy of the plan's product guide with Mr W, but said it didn't confirm the charges applicable to his plan. It then explained the charges it'd taken over the years. And said that it'd separately asked its servicing team if it could put together something for Mr W to show the charges taken from his plan between 1985 and 2019.

On 24 June 2024, Prudential wrote to Mr W about the charges on his plan.

Unhappy, Mr W brought his complaint to this service. He felt his plan had been mis-sold in 1985. He said that his plan wasn't worth nearly as much as he'd originally been quoted, despite the fact that he'd increased his original premiums.

Prudential gave this service its consent to consider the complaint.

Our investigator didn't think the complaint should be upheld. She said that Mr W had received illustrations of his plan over the years. She felt the notes on the illustrations confirmed that the figures were only examples and weren't guaranteed. She also felt that on balance of probabilities, Prudential would've provided Mr W with the terms and conditions of his plan in 1985. She felt this would've both explained the charges that applied to his plan and explained that investment growth wasn't guaranteed.

Our investigator acknowledged that Mr W knew someone who'd received compensation for the mis-selling of their pension plan. She assumed Mr W was referring to the SIB pension review that was undertaken in the 1990s in respect of pension policies sold in the 1980s. And said that this review had considered pension business carried out by authorised firms between 29 April 1988 and 30 June 1994. She said that as Mr W's plan had been sold before April 1988, it wasn't included in the industry-wide review.

Mr W still felt that his plan had been mis-sold, regardless of time limits. He felt that his 1994 illustration had still shown high returns. And noted that he'd only received one quote at the time of taking the plan out.

As agreement couldn't be reached, the complaint has come to me for a review.

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'm not going to uphold it. I know this will be disappointing for Mr W. I'll explain the reasons for my decision.

I first considered if the quotes/illustrations Prudential sent Mr W were calculated on a reasonable basis, and if they actually contained any guarantees. I also considered whether the quotes/illustrations were clear and not misleading.

Were the quotes/illustrations provided guaranteed?

It's not surprising that Prudential hasn't retained all of the paperwork from the initial sale as it was carried out 40 years ago. So we only have a handwritten quote on Prudential-headed paper from that time.

Mr W said that the 1985 quote – his only quote at that time - wasn't properly explained to him. He said he'd taken his plan out on the basis that the quoted values were guaranteed. He therefore felt his plan had been mis-sold, regardless of time-limits.

At that time of the sale, Prudential's representative wasn't required to complete a fact find recording any discussions between him and Mr W. So I can't know what he told Mr W.

In 1985, when Mr W received his first quote, the projection rates a provider should use for illustrating what a policyholder might get from their plan were at the provider's discretion. Therefore, while I don't know the assumptions used to provide the 1985 quote, I can't reasonably say that Prudential acted unreasonably in providing that quote.

However, from July 1988, the Life Assurance and Unit Trust Regulatory Organisation (LAUTRO) started to limit the projection rates providers like Prudential could use. Initially the range of rates it could use was between 8.5% and 13%. Then in November 1993 the range of rates reduced to between 6% and 12%. In July 1999, that range reduced further to 5% and 9%. Then in April 2014, it changed to between 2% and 8%. However, providers could use lower rates for illustrations if they didn't consider the investments held were capable of achieving the standard rates.

I've reviewed all of the illustrations provided. And I'm satisfied that each one was produced in line with LAUTRO's restrictions. Therefore I'm satisfied that they were calculated on a reasonable basis.

I've thought carefully about what might have happened when the plan was sold in 1985. Having done so, I agree with our investigator, and for the same reasons, that it's more likely than not that Mr W was given the terms and conditions of his plan at that point. I also agree that it's likely that these would've explained that investment growth wasn't guaranteed.

Overall, I've not seen any evidence that Mr W was ever told, by Prudential's representative at the point of sale, or in Prudential's annual illustrations, that the projections shown were guaranteed.

Having reviewed all of the illustrations, as detailed above, I'm also satisfied that the illustrations were clear and not misleading. I say this because the majority of the illustrations clearly stated that the figures shown were only examples and weren't guaranteed.

Overall, I can't reasonably say that Prudential guaranteed a certain level of performance on Mr W's plan at the outset. And I therefore can't uphold his complaint that his plan was mis-sold. I also agree with our investigator that Mr W's plan was correctly left out of the industry-wide pension review given when it was sold.

I next considered whether the evidence shows that Prudential unfairly took charges from Mr W's pension plan. I've also considered whether Prudential explained the charges to Mr W.

Did Prudential unfairly take charges from Mr W's plan?

Prudential said that at the point of sale, it provided Mr W with a key features document which explained the relevant charges on his plan.

As I noted earlier, I can't know exactly what was provided at the time of the sale, or what Prudential's representative told Mr W about the charges, given the time that has passed since then. But I think it's more likely than not that Prudential provided Mr W with the key features document in 1985. I say this because I wouldn't have expected Mr W to have agreed to start the plan without at least having reviewed its key features.

I can also see that Prudential has now explained the charges it took from Mr W's plan over the years.

Given the above, I can't fairly uphold Mr W's complaint about charges.

I'm sorry that Mr W's plan didn't perform the way he expected. But I haven't seen any evidence of any guarantees that haven't been honoured. So I can't uphold the complaint.

My final decision

For the reasons explained above, I don't uphold the complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr W to accept or reject my decision before 22 May 2025.

Jo Occleshaw
Ombudsman