

The complaint

Mr W complains that Zurich Assurance Ltd mis-sold him a Personal Retirement Plan (“PRP”) in June 1988. He says that the value of the plan has been reduced to zero and isn’t paying the benefits that he was promised in retirement.

What happened

Mr W’s pension plan was taken out with Allied Dunbar. That firm is now part of Zurich, so it is Zurich that is responsible for what happened and for dealing with this complaint. In this decision, for ease, I will generally refer to Zurich as the responsible business throughout.

Mr W opened his PRP in June 1988. At that time he was employed by Zurich as a financial advisor. So Zurich says that he would have had full training on the PRP product and the criteria under which it should be sold. Zurich has provided a copy of Mr W’s application form showing that he did not record a full fact find, or provide information at that time about his other financial circumstances. Mr W agreed to make indexed contributions of £25 per month to the PRP.

Mr W stopped his pension contributions around two years later. Zurich said he had contributed a total of £816.18. But it says that the plan terms meant the annual administration charges payable on units purchased in the first two years were much higher than those purchased by contributions in later years. So it says that the units purchased by Mr W’s contributions generally attracted annual administration charges of 3.5%.

Zurich wrote to Mr W in August 2011 to warn him that the charges on his pension savings might be in excess of any investment growth. It said that the value of his pension savings at that time was £384.41. And then, in May 2017, it told Mr W that the deductions from his pension plan had reduced its value to zero. So it said the plan had lapsed and no further statements would be issued.

In February 2024, following an enquiry from Mr W, Zurich again confirmed the PRP had no value. Mr W complained about what had happened. Zurich didn’t agree with that complaint. It told Mr W that the nature of the plan, and its charges, would have been fully set out in the documentation he was sent when it was taken out. And, as a financial advisor for the firm who was licenced to sell the product at the time, Mr W would have had specialised knowledge of the plan. But Zurich did note that it had sent a cheque for £57.27 to Mr W in 2015 that refunded as a gesture of goodwill some charges he had paid for life cover. As that cheque hadn’t been cashed Zurich sent a replacement. Unhappy with that response Mr W brought his complaint to us.

Mr W’s complaint has been assessed by one of our investigators. She thought it reasonable that Mr W would have had a good understanding of the plan when he took it out and considered it suitable for his circumstances. And the investigator thought the plan, and the associated charges, had been administered correctly and in accordance with the published terms and conditions. So she didn’t think that Zurich had done anything wrong.

Mr W didn't agree with that assessment. So, as the complaint hasn't been resolved informally, it has been passed to me, an ombudsman, to decide. This is the last stage of our process.

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.

In deciding this complaint I've taken into account the law, any relevant regulatory rules and good industry practice at the time. I have also carefully considered the submissions that have been made by Mr W and by Zurich. Where the evidence is unclear, or there are conflicts, I have made my decision based on the balance of probabilities. In other words I have looked at what evidence we do have, and the surrounding circumstances, to help me decide what I think is more likely to, or should, have happened.

At the outset I think it is useful to reflect on the role of this service. This service isn't intended to regulate or punish businesses for their conduct – that is the role of the Financial Conduct Authority. Instead this service looks to resolve individual complaints between a consumer and a business. Should we decide that something has gone wrong we would ask the business to put things right by placing the consumer, as far as is possible, in the position they would have been if the problem hadn't occurred.

The sale of the PRP to Mr W was made on an advised basis. So Zurich was responsible for making sure it had a full understanding of Mr W's circumstances and that the plan was suitable for him. And Zurich also needed to ensure that Mr W was given clear information about the PRP and its operation.

But, as I've said earlier, the person from Zurich that was providing the advice to Mr W was himself. Mr W was a trained and accredited advisor for this product. So I think it would be very difficult to conclude that he didn't have a full understanding of either the product, or his circumstances, when the plan was sold. Mr W's professional assessment at that time was that the pension plan was appropriate for his needs. And his training would have given him the knowledge he reasonably needed about how the plan operated.

The terms of the plan set out that, for the first two years, any contributions made would be used to buy what were termed capital units. Those units attracted a higher annual administration charge that was used to fund the costs of the set-up of new plans and any commission that was paid to advisors. As Mr W made contributions to his plan for just over two years, the majority of the units he purchased were capital units and so attracted the higher administration charges.

It seems logical to me that in order for Mr W's pension savings to continue to grow after he stopped his contributions the investment returns would need to exceed the deductions for the annual administration charges. Sadly it appears that was not the case and so the pension savings that Mr W held in the PRP were gradually eroded. Mr W made contributions totalling £816.18. By August 2011 their value had reduced to £384.41. And by May 2017 they had been entirely used to pay the annual charges.

There is no doubt how disappointing it will have been for Mr W to learn that there was no value left in his pension plan. But I don't think that means Zurich has done something wrong. As I have set out above there is a clear reason why Mr W no longer holds any value in his pension plan. It was for him to manage his pension savings and take action should the charges mean the investments were not at least maintaining their value.

I do however think it would be reasonable for Mr W to expect Zurich to update him on the value of his pension savings, and perhaps even provide some degree of warning that their value was being eroded by the charges that were being applied. As I said earlier, that was something that Zurich did both as a warning in 2011, and then when their value had reached zero in 2017.

The letters that were sent by Zurich were posted to the home address that it held for Mr W. But Mr W has told us that he moved address in both 2004 and 2018. He says that he made Zurich aware of those changes. I cannot however see that those changes were reflected on Zurich's systems so it is possible that Zurich did not successfully receive Mr W's notifications. And I also note that when he wrote to Zurich in 2020 Mr W only made reference to his first address – not the one he moved to in 2004. I haven't seen any evidence of any letters that Zurich sent to Mr W being returned as undelivered.

Whilst I have no reason to doubt that Mr W has provided his honest recollections about what happened when he changed address I am conscious that over such an extended period of time even the most careful of memories can, and do, fade. So on balance I don't think it would be reasonable to conclude that Zurich received, and failed to act on, notifications from Mr W of his changed address. So I don't think it would be reasonable to hold Zurich responsible for the failure of any letters about the pension plan to be delivered to Mr W.

I understand that Mr W isn't getting the answer he had hoped for here. But it doesn't seem to me that Zurich has done anything wrong. I think it has operated Mr W's pension plan in line with the expectations set out in the terms and conditions. And I think that the nature of Mr W's role at the time it was sold, acting as the advisor for the sale, means that the pension plan was, at that time, most likely suitable for his circumstances.

My final decision

For the reasons given above, I don't uphold the complaint or make any award against Zurich Assurance Ltd.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr W to accept or reject my decision before 7 July 2025.

Paul Reilly
Ombudsman