DRN-5330201

The complaint

Mr D has complained about advice he received from The Prudential Assurance Company Limited to switch his pension. He told us he felt he'd been wrongly advised, he found the paperwork complicated and he couldn't receive a monthly amount from the pension.

To resolve the matter Mr D said he'd like Prudential to:

- give him the whole amount of the pension so that he could take it somewhere else or
- change the pension so that he can take a monthly income from it.

He also said he'd like details of the amount originally paid into the pension and how much it is worth now.

What happened

Mr D held two pensions with Prudential. In 2020 Prudential's advisor recommended that Mr D switch the two pensions to Prudential's Retirement Account. This would enable Mr D to receive around £17,500 as a tax-free lump sum cash payment and to leave the remainder invested until he needed to take further retirement income.

In 2024 Mr D complained to Prudential. He felt he'd been recommended the wrong type of pension. He also didn't understand the yearly information that had been sent to him. Prudential found no evidence that the recommended pension was unsuitable. It also explained various terms in the documentation and said that Mr D could call its customer services team at any time if he wanted clarification on any of the documents.

Our investigator didn't think the complaint should be upheld. She thought the advisor's recommendation was reasonable as it was in line with Mr D's attitude to risk and it allowed him to meet his objective. She also gave Mr D details of how much was originally paid into the Retirement Account and how much it was worth in October 2024. And she outlined that Mr D could use the funds in the Retirement Account to buy an annuity (a product that would provide him with a regular, guaranteed income for life).

Mr D disagreed with our investigator's conclusion so the matter 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 think there are three main issues here so I've commented on them separately below.

Advice

I can see from the documentation at the time of the advice that Mr D's main objective was to get some money from his pensions and to use it to reduce his debts – he wanted to clear his credit card and to pay a lump sum off his mortgage. He didn't have a need at the time to take further regular income from his pension as he was still working.

The advisor was required to act in Mr D's best interests and to make a recommendation that was suitable for his circumstances. So the advisor shouldn't have just recommended a course of action simply because it would allow Mr D to do what he wanted to do. That's because what Mr D wanted to do might have been unrealistic, unaffordable or too risky.

The regulator has previously identified issues with advice on pension switching – including where a consumer was advised to switch to a more expensive pension without good reason. The Retirement Account was slightly more expensive than the original two pensions – 1.02% of the pension value compared to 1% (which on a pension valued at £50,000 equates to an extra £10 a year). In my view, the cost difference was negligible.

The two pensions Mr D originally held didn't have the option for him to take any tax-free cash and to then leave the remaining funds invested. So a different product would be needed for Mr D to meet his overall objective of reducing his debt.

It's recorded in the documentation from the time of the advice that Mr D's monthly net income was £2,600 and his monthly spend was £2,087. That shows me that Mr D was managing the existing debt – which in turn might lead to a conclusion that reducing the debt was more of a 'want' rather than an absolute 'need'. However, I can see why Mr D would want to reduce his debt, particularly as it's also recorded that the £500 saved by not having to pay the credit card would be used to further reduce the mortgage.

Overall, I think Mr D's desire to reduce his debt – which in turn would reduce the interest payable on the debt and his monthly expenses – was sufficient in this case to justify the transfer to a slightly more expensive pension. It's most likely in my view that the overall amount Mr D saved by reducing the debt is significantly more than the extra (approximate) £10 per year payable for the pension.

So, for the reasons outlined above, I conclude that Prudential's recommendation was suitable.

Information received

The documents Prudential sent Mr D were:

- annual mortgage statements (sent yearly) – these showed how the pension had performed over the previous 12 months
- contract notes (sent every six months) – these showed details of investment trades that had taken place in the previous six months.

I appreciate that the documents contained a lot of information and that the figures can be confusing. However, Prudential does need to send the documents to Mr D so I'm not able to tell Prudential to stop sending the information to him.

I'm nevertheless pleased to see that when answering Mr D's complaint Prudential explained various terms found in the contract notes and said that Mr D could call its customer services team at any time if he wanted clarification on any of the documents. This, in my opinion, was a fair way of resolving this part of the complaint.

Mr D asked for details of how much was paid into the pension and its value now. I can confirm that in December 2020:

- £70,696.10 was transferred from the original two pensions into the Retirement Account
- Mr D was then paid £17,674.02 tax-free cash – which left a balance of £53,022.08
- after the advisor's fee and charges were deducted £50,830.50 was paid into the Retirement Account and invested.

According to the annual statement sent to Mr D in October 2024 the value of the Retirement Account was £53,309.85. Prudential has since told me that the value was £53,424.38 on 14 March 2025.

Monthly income

Although I'm satisfied that the advice in 2020 was suitable it seems that Mr D's needs have changed since then as he's now looking to receive monthly income from his pension. As I've outlined above, to resolve the matter Mr D told us that he'd like to either transfer the whole amount of his pension somewhere else or for Prudential to change the pension so that he can take a monthly income from it.

There are usually two main ways in which a consumer can receive monthly income from a pension – they can make monthly withdrawals from a drawdown arrangement or they can use the money in their pension to buy an annuity. Mr D's Retirement Account allows him to do both. He can also transfer the money to another pension scheme.

If Mr D decides to drawdown on the current pension (even if it's every month) Prudential has told me that he simply needs to contact its customer services department (our investigator can provide him the telephone number if needed) and it can talk him through how to set up either a one-off or a regular income withdrawal.

Prudential doesn't currently provide annuities. So if Mr D decides to buy an annuity he will need to buy an annuity from another provider. Alternatively, Prudential has told me he can go through HUB Financial Solutions – an external company who can assist in providing annuity quotes. Again, all he needs to do is call Prudential's customer services department and they will assist and explain how HUB works.

Whether Mr D decides to buy an annuity, drawdown on the current pension or switch the pension elsewhere, Prudential has told me that it won't require him to get financial advice in order to access or transfer his benefits. However, if Mr D bought an annuity or switched the pension the new provider might require him to get advice – however, that is outside of Prudential's control.

To avoid any doubt, it's not my role to advise Mr D on what option is best for his circumstances.

Summary

For the reasons outlined above, I'm satisfied that Prudential's advice in 2020 to switch the original two pensions to the Retirement Account was suitable. I'm also satisfied that Prudential's explanation of the terms and offer to help Mr D with the documents sent to him is fair.

My final decision

I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I’m required to ask Mr D to accept or reject my decision before 28 April 2025.

Paul Daniel
Ombudsman