DRN-5642317

The complaint

Mr C complains that The Prudential Assurance Company Limited (Prudential) have caused delays in him taking his pension benefits and won't allow him to transfer his plan without taking financial advice. He wants to be able to transfer his plan.

What happened

Mr C took out his plan with Prudential in 1986. It had a selected retirement date of 1 October 2021. He didn't take benefits then as he carried on working. Mr C says he monitored his plan online and it had steadily increased in value, but once he deferred taking his benefits it had started to reduce in value. In May 2024 Mr C asked Prudential about taking his benefits and what annuity would be available. It set out various options and Mr C messaged back with his choice, asking if this could be actioned in time for his 67th birthday, on 16 June 2024. Prudential says it tried to call Mr C to discuss this without success. But, when Mr C subsequently contacted Prudential, it said it no longer offered annuities directly, however one could be arranged on at least the same terms through a third-party provider called the Hub.

Mr C wasn't happy about needing to contact another business to arrange the annuity he thought Prudential had already offered and says he wasn't able to obtain an appointment with Hub until into July 2024. He says Hub suggested an underwritten annuity might offer a higher income and a slight enhancement of around £276 per annum was available over the figures Prudential had previously provided. Mr C remained concerned about the reducing plan value being quoted by Prudential during this period. And he spoke to Hargreaves Lansdown (HL) about transferring the plan to a SIPP, to enable benefits to be taken under drawdown. HL then requested the plan be transferred to it on 15 July 2024. Prudential said it couldn't do this unless Mr C had been provided with financial advice as required by legislation introduced in 2015. Because the plan offered a potentially valuable guaranteed benefit or safeguarded right. As no advice had been provided, HL cancelled the transfer request and Prudential confirmed this to Mr C.

Mr C spoke with Prudential again and it suggested he take advice from M&G Wealth (part of Prudential). He spoke with M&G, but says it wanted to charge him 4% of the plan transfer value. He then spoke to independent advisers (IFA's) who quoted similar charges. He says he subsequently spoke with another IFA who was prepared to advise for a 2% charge, who asked Prudential for information which it didn't provide as the address details weren't clear enough. Mr C says he subsequently lost touch with this IFA and that it was wrong that he was expected to take advice about his own pension plan when he knew what he wanted to do.

During this period various complaints were registered with Prudential. It terms of the value being quoted, Prudential said the plan provided a guaranteed rate of income at retirement through an annuity. The cost of which would fluctuate, particularly with changing annuity rates, (which had improved) rather than having an investment fund. And the quoted value was in line with the plans Terms and Conditions. It said as Mr C's plan contained safeguarded rights it was a legal requirement that he take financial advice if he wanted to transfer, unless this was to secure an annuity on the same or better terms. But it agreed it had caused some delays and inconvenience and paid Mr C a total of £300 in compensation for this.

Unsatisfied Mr C referred his complaints to our service and our investigator looked into them, but he didn't uphold the complaints.

Our investigator said it appeared that Mr C had referred his earliest complaints about the plan value and the delay in progressing the annuity more than six months after Prudential had sent him its final response on the complaints, which meant it was too late for our service to consider them. But he said the explanation Prudential had provided about how the plan worked and was valued in capital terms was typical for a deferred annuity contract. He said Prudential had an agreement with Hub to meet the guarantees offered by the plan. Which meant there was no requirement to take financial advice around this option as there would be on transfer elsewhere where potentially valuable benefits could be lost. And whilst Mr C felt that taking advice was costly and time consuming it was required under The Pensions Scheme Act 2015, because his plan contained safeguarded benefits worth more than £30,000. And this wasn't a requirement that either Mr C or Prudential could waive. Our investigator said Prudential's service had been slow at times, but that the £300 in compensation it had already offered was fair.

Mr C didn't agree. He said Prudential wouldn't confirm the terms of his plan to show that it was protected and what he was entitled to from it, despite him requesting this on several occasions. And he had no idea whether the annuity through Hub matched what the policy was supposed to provide. He said our investigator hadn't addressed the delay Prudential caused when he told it to proceed with the annuity it offered in June 2024, leaving the matter still unresolved.

Our investigator asked Prudential for a copy of the plan's Terms and Conditions and for evidence it had confirmed what benefits would be available to Mr C under these. Prudential said it didn't have a copy of Mr C's specific policy given the passage of time, but it provided a redacted copy of another customers as an example. And it provided annual statements sent to Mr C in 2023 and 2024, which showed the guaranteed income available on 1 October 2021 (the original retirement date) which was increasing slightly. A note to which said that the figures didn't consider any deferral of retirement date and would be recalculated to reflect this.

Prudential said if the annuity available on the open market (through Hub) was lower than the guaranteed amount it would top up the calculated plan value to meet the additional cost. Our investigator confirmed these details to Mr C and said Prudential appeared to be acting within the Terms and Conditions set out. And he said even though he couldn't consider the complaint about the initial delay in Mr C in accessing his benefits, he had subsequently changed his mind and had wanted to transfer his plan instead.

Mr C said he still disagreed that our service couldn't consider his complaint about delaying the annuity, as the dispute had only started in June 2024 and he couldn't get an appointment with Hub until July 2024. He said Prudential simply didn't want to pay his transfer value to a SIPP as he wanted, and our service was being fobbed off with a contract that wasn't in his name. He said he'd spoken with Hub again who required him to contact Prudential for a referral, and it would take four to seven weeks to arrange an annuity and this should all have been resolved a year ago.

As Mr C doesn't agree it has come 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.

Having done so, I'm not upholding the complaint.

I've carefully considered all the points that Mr C has made in coming to my decision, including his recent submissions, where he has said he is now liaising with Hub again over arranging an annuity. I understand the frustration he feels. I can only consider Prudential's actions here and Mr C has made several points about various advisory firms he has had dealings with. Any concerns he has here will need to be first raised with those businesses directly.

Mr C has made several complaints about Prudential. And I agree with our investigator that he has referred two of those complaints too late under the rules applying to our service. These rules are strict and say that a complaint must be referred to us within six months of the business issuing its final response on the complaint, or we won't be able to consider it.

Mr C initially complained about the declining value of his pension fund in April 2024. Prudential provided a final response to this complaint dated 26 April 2024. It didn't uphold it and explained how the plan operated and was valued. As it needed to under the complaint rules, this letter gave Mr C six months to refer this complaint to our service if he wasn't satisfied. A complaint was also raised about delays in arranging an annuity on 17 June 2024 and the need to be passed to Hub. A final response letter was issued on 25 June 2024 referring to a complaint about processes and Terms and Conditions, which wasn't upheld, as these had been followed correctly. I asked Prudential for some clarification here, as I thought this was rather vague.

Prudential said this final response was in respect of Mr C's complaint about delays made on 17 June 2024. It said it hadn't caused a delay as the process that was in place was for annuities to be arranged through Hub. It is the case that Prudential was required to run through certain regulatory processes before benefits could be paid. It said it had called Mr C to take him through this process without success, and it provided a copy of a letter it had sent him on 19 June 2024 asking him to get in touch over this. Mr C didn't refer his complaints to our service until 5 January 2025, which was more than six months after these first two final responses were issued.

Although I appreciate Mr C's comment that his second complaint couldn't have been dealt with by Prudential by 25 June 2024 because he was in contact with Hub over the annuity arrangements in July 2024. Which was less than six months before he referred his complaint to us. I've thought carefully about whether that changes anything and I don't think it does. It is also relevant that Mr C chose to stop the annuity process himself by requesting a transfer to HL on 15 July 2024. That was only about a month after he told Prudential he wanted the annuity, so I don't think it would be fair to say Prudential delayed it.

In terms of the other complaints made I don't think Prudential has treated him unfairly bar some slow service it has already accepted, and I think fairly compensated him for. The legislation in place does require advice to be provided where there are safeguarded rights in a pension plan, as they are here. Broadly that's any type of guaranteed benefit, even if the guarantee isn't of interest to the policy holder. Prudential isn't allowed to make the transfer to anything other than an annuity offering the same or higher benefits, unless Mr C takes advice. And I can't tell it to ignore this requirement.

The aim of this legislation is to prevent consumers from inadvertently losing out on potentially valuable benefits their current plan might offer. But I understand the frustration Mr C feels about the potential cost of advice and the difficulties he says he's had dealing with advisers over this.

Mr C has also referred to himself as being an *"insistent client"* and says Prudential should allow him to transfer on that basis. Under the regulatory rules in place, an insistent client is someone who has received advice but has decided to proceed against it. Not all advisory firms are prepared to transact business on this basis, which may be the more recent issue Mr C has encountered with his latest IFA. And whilst it might appear pedantic, if Mr C hasn't had any advice, and he hasn't provided evidence that he has received advice, he can't be an insistent client. As it isn't possible for him to say in advance that he wants to transfer to HL, or any other provider, to use drawdown, regardless of whether the advice would be to not do that. So, Prudential hasn't treated Mr C unfairly in respect of this aspect.

In terms of what benefits Mr C's plan offers, I think the information Prudential has provided on the annual statements sets out clear and reasonable details of this. And the approach adopted by Prudential to put a capital value on the annual income the plan promised to provide, appears typical for this type of policy. I understand Mr C's doubts about this, given Prudential doesn't have a copy of his original policy from when the plan was set up nearly 40 years ago, when he should also have been provided with a copy. But it isn't unusual for records not to be available after such a long period of time. And this was a standard pension product at the time and Prudential's system will hold details of the Terms & Conditions applying. I've considered the sample policy it has provided, and it does appear to be entirely typical of its type. It was also the case that when Mr C took out the policy in 1986, it generally wasn't possible to transfer pension plans as the legislation permitting this wasn't introduced until 1988. Despite this Prudential is willing to facilitate a transfer, but subsequent legislation from 2015 around safeguarded rights places other requirements on it.

Prudential calculates the plan value based on its assessment of the cost of buying the income the policy promises. As it no longer offers annuities itself, the arrangement through Hub ensures that if the actual cost of the necessary annuity to meet the guarantee on the open market is higher than it has calculated, Prudential will top up the difference. Because of that the issue around needing to take advice doesn't apply. As Mr C may be aware for many years following the financial crisis in 2008 both interest and annuity rates were at historic lows. That meant the cost of buying the income his plan provided for was relatively high.

More recently (from 2022 onwards) both interest and annuity rates have increased significantly, and whilst the Bank of England has recently started easing base rates, Gilt yields, which greatly influence annuity rates, are much higher than they were a few years ago. So, without specifically commenting on any of the capital values Prudential has given, and whether these are fair, I would expect that these would have generally declined in recent years because of the way the plan works, and interest rates have moved. As Mr C has observed it's also possible that the value calculated by Prudential would actually provide a greater income than the guaranteed one, but this still doesn't remove the requirement to take advice if the annuity option isn't being taken.

The rules in place are designed to protect consumers and effectively place requirements on both Mr C and Prudential. And unless he does take advice, the annuity route is the only available option to access his funds. I can't tell Prudential to ignore those requirements. And whilst I understand Mr C's frustration that he feels he is being blocked from using his pension plan how he wants to, I don't think Prudential has treated him unfairly, which means I can't uphold his complaints.

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 C to accept or reject my decision before 19 September 2025.

Nigel Bracken
Ombudsman