

The complaint

Mr H complains that The Prudential Assurance Company Limited (Prudential) will not allow him to take only the tax free cash from his pension plan without him using a financial adviser. And that Prudential did not tell him about this requirement before he wished to take his benefits.

What happened

Mr H held a pension plan since 1994 with Prudential worth approximately £7,500. In September 2024 he decided to access the tax free cash from his pension and contacted Prudential to arrange this. He was informed that although he had a number of options available to him which would not necessitate obtaining financial advice, in order to take only the tax free cash, he would need to take financial advice.

Mr H complained to Prudential, stating that he was unhappy that financial advice was required. Prudential did not uphold the complaint. They reconfirmed that for the type of transaction Mr H wished to complete, it was their policy to require the involvement and guidance of a financial adviser. They sympathised with Mr H's frustration, but did not alter their stance.

Mr H was unhappy with this response which he believed did not fully address the issues he had raised, and referred his complaint to this service.

In December 2024 our investigator issued her view. Having carried out an investigation, she concluded that Prudential had not acted unfairly in mandating that Mr H obtained financial advice and did not ask them to do anything. Mr H did not accept this – he responded stating that he did not agree that he had been given advance warning of the need for financial advice, and that the documentation he had been provided had been ambiguous. He also questioned Prudential's motivation for their policy of mandating financial advice in circumstances such as his which he believes not to have been designed with the best interests of their customers in mind.

Because Mr H did not agree, his complaint has been forwarded to me for a decision.

My Provisional Findings

I issued my provisional decision on 20 June 2025. It said
"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 planning to uphold the complaint in part."

I understand Mr H's frustration with Prudential's policy to mandate financial advice for his transaction, as Prudential are happy to allow him to take his whole fund without taking financial advice, but not the tax free cash in isolation. The reason for this is because Mr H wished to take his tax free cash and no income from his pension – this can only be facilitated via a pension product that allows drawdown. As he held a legacy product, Mr H's pension did not allow this, meaning that he would need to transfer the funds into a policy that allowed drawdown in order to access the tax free cash. Mr H is aware that obtaining financial advice in order to do this isn't a regulatory requirement, and many providers will facilitate a transfer

into income drawdown without an adviser being involved. But our service doesn't regulate financial businesses and it isn't my role to make a judgement on or tell Prudential to change its procedures. However I can consider whether these have resulted in an unfair outcome.

In June 2022, Mr H was approaching the retirement age of his policy. Prudential sent a letter entitled "Starting to think about your retirement options", which advised Mr H of the value of his pension, and a number of points to be considered before accessing his pension. This document recommended that Mr H used Pension Wise to help understand his retirement options, and recommended that he seek appropriate guidance or advice.

In February 2024 (and the years prior), Prudential had issued Mr H's annual statement. This showed the value of his pension, and included generic information relating to what Mr H could choose to do with his retirement benefits. Whilst this stated that Prudential recommended that Mr H obtained guidance or advice to help him make the right decision, it did not state that this would be mandatory in any situation. I note that the statement issued in February 2022 references the fact that in order to access his pension as a tax free lump sum and the rest as taxable regular payments or one-off amounts, Mr H "might" need to take financial advice. Although I have taken into account Mr H's comments relating to the use of the word "might" in this situation, I am of the opinion that this statement should have been sufficient to alert Mr H of the possibility of needing to take advice when he accessed his benefits.

I have been provided with the "Member's Explanatory Booklet" for the Prudential Personal Pension Scheme. Whilst I note that this references multiple times the fact that a member should seek financial advice, it does not state any circumstances in which this would be mandatory. I have also been provided with "Your Pension Your Choice" booklet issued to Mr H. Although this document does not outline an explicit mandate to obtain financial advice, it strongly recommends taking advice throughout the document, and states "we're here to help no matter what decision you come to, but please note that we might not offer all the retirement options we talk about. For example, if your preferred option is "drawdown" and your product doesn't allow for this, you'll generally need to go through a financial adviser to find the best solution, either from Prudential or another provider. Some providers might offer drawdown without the need to take financial advice." Mr H wished to take his tax free cash and no income from his pension which only be facilitated via transfer into a pension product that allows drawdown. Although I acknowledge that the document above does not explicitly state that financial advice was mandatory, it does state that advice would generally be required in such a situation.

So although I think that Prudential could have been clearer in their communication of this (and the reasons for their policy), I do believe that these documents should reasonably have alerted Mr H to the fact that there was a possibility of needing advice when accessing his pension.

As part of the communications between Mr H and Prudential in relation to withdrawing his tax free cash, in September 2024, Prudential issued Mr H with a retirement options pack. This pack includes a high level of information in relation to his options, including taking a guaranteed income for life (an annuity), taking a combination of tax free cash and taxable money at the same time, withdrawing the whole pot as a lump sum, or keeping the savings where they were.

It recommends that the Pension Wise service is consulted and, relevantly, it points out that different providers offer different retirement options. These documents were specifically about the plan Mr H held. And, whilst there is clearly some generic content in them, I think it's reasonable that these should have been clearer about the specific requirement that advice had to be taken if the drawdown option was wanted through Prudential, rather than only recommending or indicating that it "might" be needed.

I have considered whether Prudential making it clearer to Mr H at the outset of his policy that he would have to take financial advice in relation to accessing his pension at retirement would have made a difference to him taking out the policy or making different decisions during the time he has held the policy. Mr H asserts that it would have done, and he would not have effected the policy with Prudential had he known this would be the case.

I think it is relevant here to reflect on the fact that the pensions market has changed dramatically in the years since Mr H took out his policy. There have been a number of wide-reaching regulatory and legislative changes, as well as providers themselves evolving and updating their products and services continuously. Therefore I think that Mr H having been told he would need to take financial advice at the time the policy was taken out would have had a very different meaning to what it means today – Prudential could not reasonably have known the range of options that would be available, and the policies that they would subsequently put in place to protect both themselves and their customers. I have considered whether Mr H has been financially disadvantaged by the fact that Prudential did not make him aware of the policy when it was implemented. Although I agree that this would have allowed Mr H to make a decision at an earlier stage and understand that he is frustrated by finding out when he was reaching retirement, I haven't seen any evidence to suggest that Mr H has lost out financially as a result of this.

However, I agree that Prudential could have been clearer about their requirements in the documentation issued to Mr H, and Mr H certainly seems to have had to make multiple calls to Prudential, to clarify that he couldn't access his benefits with it in the way he wanted without taking advice. And had he been made aware of the restriction earlier he would have been able to better plan taking his benefits, particularly if there were considerations over how he would achieve this. So, I think he has been caused some distress and inconvenience over what has happened, and it is fair that he be compensated for that.

I think it's reasonable that Prudential should have made Mr H aware of its requirements in this area sooner, particularly given that he was approaching retirement. Not doing so increased the level of inconvenience and frustration as well as delaying matters. It therefore follows that I uphold Mr H's complaint, and direct Prudential to pay him £250 compensation."

Responses to my provisional decision

I have received responses to my provisional decision from both parties. Prudential have reiterated that the paperwork issued to Mr H confirming his retirement options was generic and not specific to what he could do with them, either advised or non-advised. They have confirmed that when Mr H called them on 10 September 2024, he was made aware that if he wanted to remain with Prudential and switch to a drawdown product then he would need to take financial advice. In their response, Prudential have referred to the options pack sent to Mr H on 11 September 2024, which suggests that Mr H contact them if he wanted to go through options in detail, and this is when they explain to a customer what options would need financial advice. They confirmed that when Mr H contacted them to confirm he was looking to access his pension, he was told that for the option he was looking to proceed with (to move to drawdown), this was only available on an advised basis, and that he was under no obligation to remain with them.

Mr H has also responded and accepted the provisional decision. He did not provide any further information or evidence, but reiterated his dissatisfaction with the mandatory policy of requiring financial advice to move to drawdown, and his views on the lack of clarity within the documentation provided by Prudential.

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 considered the additional points raised, I do not believe that there is new evidence, more a reiteration of the information considered in the provisional decision. As such I see no reason to change my decision. So I remain of the view I set out in my provisional decision – my findings as set out above should be considered as part of my final decision. It follows that I uphold this complaint.

Putting things right

Prudential should pay Mr H £250 to reflect the distress and inconvenience caused.

My final decision

I uphold Mr H's complaint against The Prudential Assurance Company Limited, and they should pay £250 to him as outlined above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H to accept or reject my decision before 1 August 2025.

Joanne Molloy
Ombudsman