

The complaint

Mr R complained that the Teachers' Additional Voluntary Contributions (AVC) pension arrangement he started with the Prudential Assurance Company Limited didn't give him the benefits he thought it would provide.

What happened

Mr R started a Teachers' AVC pension arrangement in 2006 following a workplace presentation from a representative of Prudential.

The application form from the time recorded he was 32 years old and earning £21,195 a year. He was an active member of the Teachers' Pension Scheme (TPS). Mr R has let us know he qualified as a teacher later in life.

In 2024 Mr R complained to Prudential and this Service. In his complaint Mr R said that having started teaching in 2006, when the Prudential representative had made the presentation at the school, he had been under the impression that the arrangement [the AVC option] allowed members to purchase added years.

Mr R says that his previous employer's AVC accrual was transferred into the Prudential AVC, as Prudential administered both schemes at the time. I have seen that just over £19,000 was due to be transferred in December 2006.

Mr R said he had been fairly passive about this until now and it was due to his age that he had started preparing for his retirement and this led to his complaint. He told us he wanted to have his payments refunded as they had not allowed him to purchase added years which he said that he'd been told the scheme would allow him to do.

Prudential rejected the complaint and issued their final response in March 2025. They set out that at the relevant time Prudential were engaged by the Department of Education (DofE) to provide AVC policies to the teaching profession to provide teachers with an option to top-up their pension fund. They were specifically appointed to provide the external voluntary contribution option. Prudential told Mr R that as part of their contract they had to make teachers aware there were other top-up options available. All the literature they used in schools had been agreed with the DofE.

Prudential say their representatives had to explain the AVC option in detail but only make a general reference to the other options. The representatives weren't allowed to advise on the Added Years option – they just had to make the applicant aware of it, leaving it up to the applicant to make their own enquiries with the TPS. Prudential also referred to the literature they'd have provided at the time, which mentioned the option of purchasing added years. In summary Prudential say their representative did what was required at the time by making Mr R aware of there being other options such as the Added Years option.

Prudential also explained the information that Mr R would have received when he joined the TPS would have included details about the Added Years option. Prudential highlighted that

the signed application for the Teachers AVC included a statement confirming that Mr R had been made aware of the Added Years option.

Mr R did not accept what Prudential said and asked this Service to consider his complaint.

Investigator's view

An Investigator at this service did not uphold Mr R's complaint and explained why. In summary the Investigator accepted what was said by Prudential given what had been provided and didn't think that Prudential had done anything wrong at the time Mr R was sold the AVC plan.

The Investigator found that having considered everything provided including the documents from the time of sale that Mr R would have received a booklet explaining the options available to potentially enhance his pension benefits including the possibility of buying added years.

The Investigator relied on the AVC application form which had been signed and dated by Mr R which included a reference to the added years option. The Investigator also highlighted the declaration confirming that Mr R was aware of the booklet entitled "*A Guide to the Teacher's Pension Scheme*" which provided information about the added years option.

The Investigator thought it was likely Mr R had been provided with a brochure entitled "*Key Features of the Teacher's AVC facility*" and that having seen a copy of the brochure provided by Prudential he thought it also would have provided Mr R with relevant information including on the added years option.

Mr R asked for an Ombudsman to review his complaint. No further submissions were provided.

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'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 account of the law and any relevant regulatory rules, guidance and good industry practice at the time.

In addition, I've also carefully thought about everything said and provided by Mr R and Prudential. Where the evidence is unclear I've made my decision based on the balance of probabilities. Or put another way, based on what evidence I do have, together with the surrounding circumstances, I've thought about what I think is most likely to (or should) have happened.

I am not upholding Mr R's complaint. I have not seen anything that persuades me that Prudential did anything wrong when it came to the sale and starting of the AVC arrangement in 2006. I don't think it's likely that Prudential ought to be considered responsible for the main thrust of Mr R's complaint, his erroneous belief that the AVC would give him added years; nor do I think Prudential failed to make Mr R aware of Added Years being a different option available to him at the time. Whilst Mr R doesn't specifically make this complaint, I consider it might reasonably be identified as a further issue.

The AVC arrangement and Added Years options work in very different ways. In summary an AVC is a means of saving for retirement through the employer as part of the workplace pension, or OPS. However, the employer often uses a pension provider, (here Prudential) to run the AVC. As it's offered by the employer, it's often referred to as an "in-house" AVC. The AVC is a type of pension product an employee can pay into to save for retirement. This AVC had a choice of different pension funds where the money could be invested. The value of the fund at retirement is based on how much is paid in, how the fund performs and how long the monies have been invested.

Where an employee is a member of their employer's workplace pension scheme (here the TPS), which is a defined benefit scheme, an employee may have another choice to top-up their pension- the Added Years option. This type of scheme is based on the years of service by an employee in calculating what pension benefits will be available in the future. If an employee isn't going to receive the maximum possible pension benefits at retirement, they can buy added years. So, for example the TPS would increase the number of days, month or years used when working out the pension benefits for retirement, depending on the extra amounts bought by the employee. In other words, they boost the number of years' membership in the employer's scheme.

Whilst DB pension schemes (and thus added years) might be considered to offer the security of guaranteed benefits, this is different to the considerations of future growth that might have been considered when looking at an AVC, particularly depending on when choices were made. Low investment returns and falling annuity rates have meant that the benefits on retirement from an AVC policy have been disappointing, but we know this based on hindsight which couldn't be foreseen at times in the past.

Here Prudential did not advise Mr R on added years and I have seen nothing that persuades me they strayed outside the parameters of what they were providing by agreement with the DofE. Prudential were appointed in 1989 by the DofE (or its predecessor to be exact) to provide an AVC scheme to run alongside the TPS, the Teacher's occupational pension scheme. As part of their contract with the DofE, Prudential were required to make all applicants aware of the existence of other pension top-up options – essentially the Added Years option, and what's known as a Free Standing AVC. The representative was employed by Prudential and was known as a 'tied' agent. This means they were only able to recommend/sell products marketed by Prudential, which here was the AVC plan. It's important to make clear they weren't able to actively recommend any other products from any other pension provider or recommend TPS Added Years.

At the time of Mr R's advice in 2006, tied advisers were required to follow certain rules and requirements. These varied over time but essentially required that advisers should maintain high standards of integrity and fair dealing, and exercise due skill, care and diligence in providing services. What this means is that a tied adviser would have been expected to know that other options (than the AVC) were likely available to Mr R at the time.

Having looked at the original application form and having taken into account the additional information I accept from Prudential would have been provided at the time, I am satisfied Prudential did what they ought to have done at the time. I think it's more likely than not that Mr R would have understood at the time, or ought reasonably to have understood that the AVC arrangement he started was different to the Added Years option, which was an alternative option.

Prudential have provided a copy of Mr R's original application form for the Teachers' AVC plan from 2006. This includes the information about the percentage of salary that was to make up his regular contributions.

The important notes part of the application form sets out at paragraph C that because the AVC facility is a way of investing money in order to provide pension benefits, the benefits will depend on the contributions paid, the performance of the investment and interest rates at the time. It's made clear the relevant Department cannot guarantee that any particular level of benefits will be available at retirement.

It specifically sets out that Mr R confirms he is aware of the booklet entitled "*A Guide to the Teachers' Pension Scheme*" with regard to the past added years option.

I am satisfied based on the documents from the time that Mr R was made sufficiently aware of how the AVC arrangement would work and that it was distinct to, and not the same as any added years option.

I am supported in my thinking on this by other documents provided by Prudential. These include a copy of his annual AVC statement for 2024. I accept this was a document issued to Mr R annually and that it includes information on the payments made into the plan in the last year and the value of the plan including any final bonus. It also included an illustration of one of the options that might be available to him, here what his plan might look like as an annual income. Mr R's statement of March 2024 shows a value of around £32,000. During the previous year he had paid in £300 and had just over £212 deducted in charges and costs.

Prudential provided us with some correspondence they had with Mr R over the years. This included a letter in June 2011 to a financial advice firm who had Mr R's authority to obtain information in respect of his AVC plan. This letter specified it was an in-house AVC brackets money purchase plan brackets. An illustration accompanied this letter at the time.

In 2012 Prudential contacted Mr R as there had been an error in documents provided earlier in the year where an illustration had overstated by just over £100 the amount of income Mr R might receive each year. Mr R replied shortly afterwards asking for more information about how this had happened, setting out he was now having to make provision for the shortfall. Prudential apologised and paid Mr R £50 to represent his distress and inconvenience.

This additional information supports my thinking that Mr R has been regularly kept informed about his AVC and been supported in his understanding of what this option meant and might provide.

I am satisfied that Prudential did what they were required to do to ensure Mr R was made sufficiently aware of there being an added years option, and it was sufficiently clear this was not an option provided by opening an AVC with Prudential (nor that by transferring the contributions from an earlier AVC into the new plan, that he was adding to any added years option).

I think it's more likely than not that Mr R was provided with the booklets and guides that Prudential have referred to.

In the booklet Prudential have provided there is reference to the contributions made to various different arrangements which are named as the AVC facility, the main TPS, any added years facility and any free standing AVC's. In the booklet provided there is reference to contributions being capped. This position changed in April 2006 and as such the booklet Prudential provided would not have been accurate when it came to the cap when Mr R completed his application form. This doesn't mean that copies of this booklet were not still being provided, or that the updated version wasn't provided. The provision of this booklet without Prudential being able to confirm which version was provided to Mr R or to evidence receipt, is not determinative for me in this complaint, given the other information provided and given the nature of Mr R's complaint, (that he thought the AVC gave him added years).

As I have referenced above, in the Teacher's AVC new member application form, the Declaration specifically asks the applicant to confirm they have *"been made aware of the booklet entitled "A guide to the Teachers' Pensions Scheme" with regard to the "Added Years" option"*. I would expect – and think it more likely than not – that Mr R would have read the document before signing it. And, whilst there is no way of being sure what exactly happened over 20 years ago, I think it's more likely than not that the representative would have mentioned the Added Years option. It was, after all, referenced on the application form, and as mentioned above sits above the space where Mr R would have been required to sign it.

Taken together, it's sufficiently clear that Prudential's sales documentation made multiple mention of the existence of Added Years as an alternative pension top-up option. And these documents would have pointed Mr R in the direction of the Teachers OPS if this was an option that he wished to explore.

Prudential would not have set up the AVC arrangement unless they had a signed application from Mr R. They would have had no legal authority to take money from his salary without such express written permission at the time. Accordingly, I'm persuaded that Mr R signed the AVC application form at the time, and it follows signed to agree that he had been made aware of the Added Years option.

I am sorry that Mr R feels he had understood the AVC arrangement was going to lead to an added years benefit. However I don't consider Prudential contributed to any misunderstanding, and not in any way that suggests they did anything wrong or ought to be held responsible for Mr R's misunderstanding; and accordingly I am not requiring them to do anything here.

All they needed to do was alert Mr R to the existence of, and very generic elements of, the other options available – which I think it's more likely than not that they did. I understand this Decision is not the outcome Mr R will have been hoping for when he brought his complaint to our Service. But in addressing it, I must take account of what Prudential's regulatory obligations were (and contractual with the DofE) in terms of what they needed to do. And for the reasons I've set out above, I think Prudential met those obligations.

My final decision

For the reasons set out above I am not upholding Mr R's complaint about The Prudential Assurance Company Limited. Under the rules of the Financial Ombudsman Service, I'm required to ask Mr R to accept or reject my decision before 10 October 2025.

Louise Wilson
Ombudsman