

The complaint

Mr B is unhappy that Prudential requires him to obtain financial advice before he can take 25% tax free cash (TFC) and move the remainder of his pension into income drawdown. He explained that when he contacted Prudential to give instructions, he was informed that it would only act on instructions provided by a financial adviser.

Mr B has expressed concerns that there was no indication in any of the documentation he received regarding his group personal pension (GPP) that financial advice would be necessary. He's said that he's reviewed documentation relating to his plan going back over 24 years and found no reference to such a requirement. In addition, Mr B has said that, when he questioned where this requirement was set out, he wasn't provided with a clear or satisfactory explanation.

Mr B feels that Prudential has introduced a requirement for financial advice after his GPP was set up, without notifying him of this change. He believes that such a significant change should have been made clear. As a result, Mr B has claimed for a missed opportunity due to the refusal to act on his instructions, as well as for the distress and inconvenience caused.

What happened

The investigator who considered this matter set out the background to the complaint in his assessment of the case. I'm broadly setting out the same background below, with some amendments for the purposes of this decision.

Mr B contacted Prudential in October 2024, saying that he wished to take 25% of his GPP as TFC and move the remaining funds into an income drawdown arrangement. Prudential responded that it would only proceed with this request upon receiving instructions from a financial adviser. Mr B expressed concern that this requirement hadn't been mentioned in any of the documentation he'd received regarding the GPP and said he was unable to locate this information on Prudential's website.

Mr B contacted Prudential again to query where this information was located. He was informed that this had previously been sent. However, upon reviewing all documents received since the GPP's inception, Mr B couldn't find any reference to financial advice being a mandatory requirement.

Mr B contacted Prudential once more, asking for clarity on where this information could be found online. He was informed that the relevant information would be sent to him, but that it may take until 19 November 2024.

Mr B also raised a complaint, and Prudential then issued a final response letter on 30 October 2024. It didn't uphold the complaint and explained that for the type of transaction Mr B wished to complete, it was its policy to require the involvement of a financial adviser.

Mr B remained dissatisfied and referred the matter to us. He said his concerns were not adequately addressed by Prudential. He continued to express concern that there was no

such requirement mentioned in the plan literature, and that he still hadn't received Prudential's formal policy outlining the advice requirement. He felt that this amounted to a mis-sale and that he wasn't made aware of additional changes introduced later. He also mentioned that the call handlers lacked adequate knowledge.

Having considered the matter, the investigator didn't think that the complaint should be upheld, saying the following in summary:

- Prudential was entitled to make a policy decision requiring financial advice before proceeding with certain transactions – in this case, moving into a drawdown arrangement.
- A move to income drawdown involves entering into a new contract, which might differ significantly from the GPP arrangement which Mr B had.
- Drawdown products often carry higher charges and come with additional risks, such as the risk of withdrawing too much and running out of funds in retirement. There was also the risk of poor investment performance, meaning the policy holder could get back less than they have contributed.
- By requiring the involvement of a financial adviser, Prudential wanted to ensure that its customers received appropriate guidance on the risks and costs involved. It also enabled Prudential to place responsibility for the decision with the adviser and the policy holder, which was particularly important if the drawdown product didn't perform as expected and a complaint was raised in the future.
- Pension providers have discretion over how they administer their products, and requirements like these can vary. Therefore, Prudential hadn't acted unfairly or unreasonably by insisting on financial advice in this situation.
- In terms of the customer service, however, Prudential could have handled things better. Mr B was told that information would be sent to explain the advice requirement, but it appears that this was never received. Mr B also reported confusion during calls and felt that staff lacked sufficient knowledge to explain the policy clearly.
- The available evidence didn't support the position that Prudential had made adequate efforts to follow up on the promised information or to provide a clear, written explanation in response to Mr B's repeated queries. Given the importance of the issue, more should have been done to support Mr B and resolve his concerns.
- Mr B therefore likely experienced avoidable trouble and upset. To acknowledge this, it would be fair and reasonable for Prudential to pay Mr B £100 in recognition of the inconvenience caused.

In conclusion, the investigator said that it wasn't unreasonable for Prudential to require Mr B to obtain financial advice before moving his pension funds into an income drawdown arrangement. But he did think that the service provided by Prudential could have been better, and for that reason compensation of £100 was warranted.

Prudential agreed with the recommendation. Mr B disagreed, however, saying the following:

- Given his background in the financial sector, he considered that he had more than enough experience to decide for himself how he would manage his pension account and instruct Prudential accordingly.
- After several telephone conversations Prudential said that it was part of its procedures that it would only accept such an instruction directly from a financial adviser. This was later amended from procedure to a Policy.
- During the subsequent telephone conversations (all of which Prudential confirmed were recorded) he was advised that such a procedure/Policy wouldn't be found on its website.
- Prudential assured him that a copy of the Policy would be sent, but nine months later he still awaited a copy.
- Without a copy of that "Policy" he couldn't be expected to accept Prudential's requirement to insist that it would only act upon receipt of a direct instruction from a financial advisor.
- This was totally unacceptable and he would also like to know the date of this Policy and the date on which it informed its customer base.

The investigator put the question relating to the "Policy" to Prudential for its comments, to which it replied that there was no policy document which outlined the requirement for financial advice for drawdown. It didn't form part of the terms and conditions, nor was it in the claim paperwork. It was a company decision and not a contractual one. The decision had been in place for many years and Prudential offered no alternative drawdown policies.

The investigator conveyed this to Mr B, along with the following further commentary:

- Prudential was entitled to apply its own procedures as it deemed fit and it had discretion to administer its products in the way it considered appropriate.
- Our service couldn't interfere with these decisions, and we don't have the power to tell a business how to develop or apply its internal policies – that was a matter for the Financial Conduct Authority (FCA), which regulates financial service firms and sets the framework within which businesses operate. Our role was to assess whether Prudential had acted fairly and reasonably.
- It was both understandable and reasonable for Prudential to have a process in place which aimed to ensure consumers considering income drawdown fully understood the potential implications of its decisions. This was a complex area with long term financial consequences and it wasn't unusual for providers to adopt this approach. So, Prudential hadn't acted unfairly in having this requirement for financial advice, or in applying it in this instance.
- The investigator acknowledged Mr B's significant professional experience in the financial sector, and he didn't doubt his ability to make informed decisions. However, that didn't alter the fact that Prudential was entitled to apply its own procedures consistently across all of its customers.
- He could understand Mr B's frustration at not having received written confirmation of the policy document, particularly after Prudential said it would send it. For that

reason, he'd concluded in his initial view that Prudential could have handled things better from a service point of view and this was why he recommended compensation.

- However, the absence of a written policy didn't mean Prudential was acting unfairly by insisting on its financial advice requirement – it simply reflected that the requirement arose from an internal business process rather a formal policy document.

Mr B continued to disagree, however, saying the following in summary:

- He had a total appreciation and understanding as to why, in all of its published literature, Prudential 'advised' and 'strongly recommended' that a customer refers to a financial advisor before making any decision.
- This was in compliance with the FCA, which required companies like Prudential to 'advise' and/or 'strongly recommend' that its customers seek such advice. This, in turn, offered people who are less aware of financial markets and investments the valuable opportunity to consider alternative options as to what they would like to do with their own personal pension. However, it wasn't a mandatory FCA requirement.
- Additionally, there was no mention or reference within any of Prudential's published literature which said that this was a mandatory requirement.
- Furthermore, there was no mention or reference within any of Prudential's published literature (including account opening, product description/operation and terms and conditions documentation) which said that it would only accept an instruction, which affects a customer's personal pension account, directly from a financial advisor.
- Had he been verbally advised or read anything about such a requirement during the account opening process, he would have seriously considered deciding against proceeding. The FCA required that companies inform their customers about changes to policies related to products which have been sold beforehand.
- Companies are expected to ensure customers receive timely and clear information, presented in a way that they can understand, to make informed decisions going about such changes in order that they can make informed decisions about the financial product involved.
- To date he hadn't received anything from Prudential advising him of any changes to that specific product.
- Given the above, Prudential should be considered to be in breach of this requirement as it appeared to have amended its internal policies, processes and procedures, which had a significant effect on a product which was sold before such an amendment was adopted, without advising its customers as required by their regulator.
- The obvious way for Prudential to avoid being concerned about being held to account would be to include a 'waiver' for the product to be signed and dated by the customer which clearly said that he/she was fully aware of the actions he/she wished Prudential to take and absolved Prudential of anything that goes wrong which was outside their area of control.

- Mr B said that he would be more than happy to sign such a waiver rather than moving this specific pension to one of his other pension providers which he would be able to do without having the need for the involvement of a financial adviser.

As agreement couldn't be reached on the matter, it's been referred to me for review.

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.

And having done so, I've reached broadly the same conclusions as the investigator, and for similar reasons.

Although I've noted Mr B's depth of feeling on the matter and his view that he shouldn't be required to seek advice, especially given his financial experience, there isn't in fact much which I think I can meaningfully add to what the investigator has said.

The seeking of financial advice to enter drawdown may not be an FCA requirement, but Prudential is entitled to implement this requirement when the contract is effectively changing from one of accumulation to decumulation, with the inherent risks that drawdown involves. And it would be entitled to make this a blanket policy, irrespective of an individual's financial background.

It didn't need to form part of the original terms and conditions (and Prudential has in any case said that it is a company decision rather a contractual term) – indeed, it would be difficult for Prudential to cater for every possible eventuality which might transpire when an individual reaches the point of wishing to access their retirement benefits. Nor do I think that Prudential needs to evidence that its business decision is advertised on its website or in other policy documentation for it to be able to impose the requirement. Although it might arguably be helpful for this to be set out, any client or potential client wishing to enter drawdown with Prudential would in any case have the requirement made clear to them before the drawdown contract could be established – as has been the case here.

Prudential may attach stipulations at its own discretion (within reason as decided by the regulator) to business transactions, and as this was a proposed move from accumulation to decumulation, I don't think it was treating Mr B unfairly in requiring that he seek financial advice to move into drawdown with it. Had there been a change to the manner in which his existing accumulation policy was operating, then I would expect Prudential to advise Mr B of this. But in this instance, at his own request (rather than a unilateral contractual change in the contract implemented by Prudential), he would be moving from one type of arrangement to another.

As Mr B has himself acknowledged, he would be able to transfer the policy value to another provider which may not require financial advice to enter into drawdown – and it would then be up to that provider to decide whether to accept that drawdown business on an "unadvised" basis. But for the reasons given above, I don't think that a fair and reasonable conclusion here would be to require Prudential to remove the necessity for financial advice before Mr B were to convert into drawdown.

That said, as with investigator, I think the customer service here could have been significantly better, not least in confirming to Mr B sooner that there was no literature as such to which he could be referred for details on the advice requirement. As such, I agree that the sum of £100 would be appropriate here.

Putting things right

The Prudential Assurance Company Limited should pay Mr B £100.

My final decision

My final decision is that I partly uphold the complaint and direct The Prudential Assurance Company Limited to undertake the above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 13 October 2025.

Philip Miller
Ombudsman