

complaint

Mr S complains that charges that The Prudential Assurance Company Limited are applying to his pension plan are excessive.

background

Mr S took out his Stakeholder pension policy over the phone in January 2003 and arranged to transfer benefits from another scheme into it. No advice about taking out the policy or making the transfer was provided by Prudential.

Prudential says the application pack sent to Mr S would have included a Key Features document and appendix, which explained the charges applicable to Mr S's policy.

Mr S complained in March 2014 that charges applied to his policy were excessive. He argued that in some years the charges resulted in Mr S's fund diminishing in value and that the charges were not set out clearly at the time of the sale of the policy..

The adjudicator did not uphold Mr S's complaint. She concluded that the charges were adequately explained. It was for Mr S to raise questions if he did not understand anything. The adjudicator also noted that the charges applied to Mr S's policy did not exceed the maximum charge allowed for a Stakeholder pension arrangement.

Mr S's representatives did not agree arguing that:

- Mr S was not provided with any information about the percentage of the fee and was given the impression it would be a percentage of the profits of the plan, not the plan itself. He was shocked to discover he was charged a fee when the plan lost money.
- The wording of the documents made it clear that the fee would be deducted from the plan, but not that it would be levied upon the plan's value.
- Mr S was not given precise terms relating to the plan's fees in his telephone conversation with Prudential. The ombudsman service's own position is that written documents do not replace the need to disclose information orally.
- Best practice would be a demonstrative example of the fee in action.
- There is nothing to suggest the fees were charged in an open and clear manner. They would appear to be ambiguous and generally difficult to understand by a customer who did not understand financial terminology.

my findings

I have considered all the available evidence and arguments to decide what is fair and reasonable in the circumstances of this complaint. Having done so, I have come to the same conclusion as our adjudicator and largely for the same reasons.

The maximum fee for a Stakeholder pension plan is set by the government as a percentage of the fund value. The government does not provide a mathematical example to show how the fee is calculated and there is no requirement on firms to produce illustrations either.

A recording of Mr S's telephone conversation with Prudential is not available, but Mr S's representatives have not denied that this was a direct sale where no advice was given to Mr S by the Prudential about the suitability of the Stakeholder pension.

This means that there was no requirement for Prudential to give detailed verbal information. The charges were set out in the papers provided to Mr S.

The documents were clear that the charges would be calculated based upon the plan value, in addition to being deducted *from* the plan value. Certainly, there is nothing in the documentation which states that fees are calculated from plan profits only, or that they cease to be made if the plan falls in value in a given year.

The annual statements sent to Mr S explain that charges are calculated as a percentage of the fund, and confirm that percentage as being 1%. This is below the government's cap.

As the Financial Ombudsman Service has no regulatory powers, I have no authority to require Prudential to alter the design of its contract.

my final decision

I do not uphold Mr S's complaint against The Prudential Assurance Company Limited and I make no award.

Adrian Hudson
ombudsman