

complaint

Mr W says that he was misled by The Prudential Assurance Company Limited when he made a fund switch in his pension annuity.

background

Mr W has an annuity with Prudential. He contacted them to ask about making a fund switch. He wanted to consolidate his position as he felt the market was high at the time. He says that he was told that there was a "cash fund" which he could switch some of his money into. So he transferred a large portion of his funds from more volatile funds into this "cash fund".

About a year later Mr W realised that his investments in the "cash fund" had decreased in value. When he asked Prudential how this could happen he discovered that the "cash fund" was not actually invested in cash. The fund was invested in gilts, bonds and other assets but not in actual cash.

So Mr W complained that he had been misled. Prudential did not uphold the complaint. It said that although the "cash fund" did not invest in cash it did meet the Association of British Insurers (ABI) criteria for a "cash fund". The decrease in value of the investment was mainly due to the fact that the charges to the fund were higher than the returns.

Mr W referred his complaint to this service. Our adjudicator did not think that Prudential had done anything wrong. It had followed Mr W's instruction to transfer money into the "cash fund". It had not advised him and the fund did meet the definition of a "cash fund".

Mr W did not agree and asked for a decision from an ombudsman. He explained that he had been misled as the fund was called a "cash fund" but it did not contain any cash.

my findings

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint. Mr W has also explained the gist of his complaint to me.

I can understand why Mr W is unhappy and it may be surprising that a "cash fund" like this one does not invest in cash. But I'm satisfied that the fund does meet the definition of a "cash fund" set by the ABI. Precisely what assets the fund invests in from time to time would be a decision for the fund manager.

This portion of Mr W's investment may have decreased in value but this is due, at least in part, to the fact that the fund charges are greater than the returns. The position would have been similar if the investment had been in cash over this period. Interest on a cash deposit would have been less than the charges to the fund. I can't see that Mr W was given any reason to believe that there would not be any charges to the fund. And information about what assets were in the fund was available, although I know Mr W says this was not easy to find when he was directed to it after contacting Prudential.

So I agree with the adjudicator and do not uphold this complaint. I do not think that Prudential has done anything wrong so that the complaint should be upheld.

In addition, having spoken with Mr W, it is clear that he wished to consolidate gains he had made within his pension investments. He felt the market was high and wanted to transfer a portion of his money into a more secure and less volatile environment. The “cash fund” he transferred into to was not exactly what he thought it was. But it seems to me that out of all the funds that were available to him, this fund was close to meeting his requirements. Although Mr W does not agree, I think it is likely that if he had been told the precise content of this fund he would still have switched his money into it.

my final decision

So for these reasons I do not uphold this complaint and make no award.

Under the rules of the Financial Ombudsman Service, I’m required to ask Mr W to accept or reject my decision before 16 October 2015.

Keith Taylor
ombudsman