

complaint

Mr H complains delays by Prudential Assurance Company Limited resulted in a fall in the value of his pension savings held with another provider.

background

Mr H had some pension savings invested in a “global” fund with another provider I’ll call “A”. In August 2018 Mr H and his wife met with a Prudential advisor to discuss transferring his savings from A, (valued at the time around £59,700) to Prudential so they could be consolidated with the two Prudential pension policies he already had. He wanted to use the total funds to purchase an annuity as he intended to retire after his 65th birthday that December.

Ahead of the meeting Mr H and his wife, a book-keeper, had done some research, and had obtained open market quotes for annuities for each of his pensions. Mr H needed monthly income of about £1,000, including his state pension of just over £600. The advisor was concerned that taking no tax-free cash and using all his funds to purchase an annuity provided little flexibility for the future. He assessed Mr H as a medium risk investor and thought he should consider flexi-access drawdown, as his funds would still have capacity for growth. But if he was settled on taking an annuity, a joint life annuity with 100% spouse benefit, level income with a ten-year guarantee would provide better protection for Mr H’s family. He left Mr H some information to consider and suggested another meeting.

Due to a family bereavement the advisor wasn’t available until October 2018. By which time the value of Mr H’s two policies with Prudential had risen, and his savings with A had grown by almost £1,000. Further meetings took place in December 2018. Taking on board some of what the advisor said, Mr H decided to purchase an annuity with one Prudential policy, with the remainder into flexi-access drawdown. Unfortunately, by this time his savings with A had fallen by around £4,000, which Mr H feels could have been avoided had Prudential actioned the transfer more quickly. Mr H also disclosed some health conditions which may have affected his annuity. The transfer was eventually completed in January 2019, after Mr H had retired. Mr H thinks Prudential should compensate him for his loss, so he complained.

Despite the unforeseen reason, Prudential thought the follow up meeting should have been arranged sooner, so offered £150 for this. But as they didn’t have Mr H’s signed instructions until December 2018 the transfer couldn’t have happened sooner. Unhappy, Mr H brought his complaint to this service.

One of our investigators reviewed the complaint and thought Prudential had acted fairly. He pointed out Prudential’s advisor was only responsible for advising on its own products, not the investment strategy of Mr H’s savings with A. And as Mr H wanted to take an annuity which the advisor didn’t think was in his best interests, he had to secure a concession to continue advising him, which caused the delay. So he didn’t uphold the complaint.

Mr H said he’d given clear instructions in August 2018 that he intended to transfer his savings from A to Prudential to purchase an annuity. And even if the advisor had to get a concession, he should have given Mr H the forms to sign before December. Had he done so the funds could have been transferred before they lost so much. As agreement couldn’t be reached it’s come to me to make a decision.

my findings

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 not going to uphold it. Let me explain why.

Firstly I should say I've clarified with Prudential that they intend responding to Mr H separately in relation to his entitlement to an enhanced annuity due to his health conditions. So I won't be commenting on that point in this decision.

It's not in dispute that Mr H was thinking about transferring his pension savings from A to Prudential in August 2018, the transfer instructions were given in December 2018 and it actually completed in January 2019. During that time Mr H's savings with A initially gained value, and then fell, as they were invested with exposure to the stock market. But for me to say Prudential should compensate Mr H for his loss, I'd have to think Prudential caused unreasonable delays, but for which the loss wouldn't have occurred.

I can see why Mr H thinks the Prudential advisor should have given him the relevant forms to sign in the initial meeting in August 2018. As far as Mr H was concerned, he'd made his mind up so didn't need Prudential to give him advice, just implement his instructions. Transferring the funds from A at this point would have been before they lost value. But I think this is with the benefit of hindsight. Based on his wife's research Mr H had decided to use all his pension funds to purchase an annuity, with no tax-free cash. But having listened to the advisor, he decided to only use one policy to purchase an annuity and put his remaining funds into flexi-access drawdown. Making an uninformed decision with his pension savings could have significant tax and other implications for Mr H and his family and would usually be irrevocable. A financial advisor is professionally obliged to act in their client's best interest. While Mr H was a relatively experienced investor with a medium attitude to risk, he'd only considered one option for his retirement income. So I think the advisor would have fallen short had he simply followed Mr H's instructions.

At the October 2018 meeting the advisor discussed options with Mr H which aimed to provide him with slightly more income than he needed, while his funds remained invested with the potential for growth. According to the advisor's notes, Mr H was open to the idea, but his wife still thought he should go for an annuity and take no tax-free cash to maximise the annuity return. The notes suggest there was some debate between Mr and Mrs H during the meeting. Obviously, I can't be sure what took place as I wasn't present, but I give weight to the advisor's notes made at the time. The advisor told Mr H if he wanted to proceed against his advice, he'd need to obtain a concession. While this caused a delay, I think the advisor was acting in Mr H's best interests.

It's important for me to clarify that an adviser is not under a regulatory obligation to transact business for an insistent client – so it's up to them (or the processes that may be in place with that business) how they might be willing to facilitate this. And some of the delay was while Mr H thought carefully about his options, as the advisor had suggested alternatives he hadn't previously considered. There was no financial detriment to Mr H at this point as his savings with A had gained almost £1,000 since August 2018.

At this meeting Mr H signed a form authorising the advisor to obtain information from A in order to prepare a drawdown analysis prior to the funds being transferred. Mr H says he thought this form also authorised the transfer itself. But I've seen a copy of the one-page form which reads "*I hereby authorise Prudential Financial Planning to gain information*

relating to my policy/policies mentioned below” and then the advisor has hand written the name of the company “A” and the policy number. So I don’t think this gives the impression the funds would be transferred on the strength of that form. Its purpose was to get the information the advisor needed to help Mr H make the right decision. Mr H could have been asked to sign the authorisation form at the initial meeting. But I don’t think much time would have been saved, as the advice concession was always going to have been required if he wanted to proceed against the advice.

The Prudential advisor says at this point all he knew about Mr H’s savings with A was the balance. Mr H says he’d given the advisor a statement. On balance I think it’s unlikely the advisor was aware of the fund, as later when he became aware of its volatility rating, he mentioned it to Mr H. With a statement he might have done that sooner. But Mr H knew which fund he was in, and if he was worried about volatility or potential losses, he could have raised this with the advisor or with A.

The advisor next called Mr H on 25 November 2018. I don’t think taking a month to obtain the information from A and produce the report is unreasonable. The advisor explained he’d been running some options through Prudential’s modelling software to obtain the optimal level of income, security and flexibility which he’d like to discuss with Mr H, so he could make his final decision. So another meeting took place on 3 December 2018, only a couple of days before Mr H’s 65th birthday. The meeting notes suggest Mrs H still favoured using Mr H’s entire pension to purchase an annuity, whereas Mr H seemed open to full drawdown. As a compromise, he decided to purchase an annuity with his smaller Prudential fund, and use flexi-access drawdown for the rest. So although Mr H was hoping everything would be in place before he retired, the option he chose still required the advice concession.

According to the advisor’s notes, it was while going through the drawdown analysis they noticed the drop in value of the savings with A. So he looked up A’s global fund on his tablet and saw its high volatility rating of 124 (he expected a medium risk fund to be around 50), due to its exposure to international equities. He told Mr H policyholders often think about de-risking investments to some degree as retirement approaches. He explained Mr H could instruct A to switch into a lower risk fund, but as he represented Prudential he couldn’t do that for him. I understand Mr H contacted A soon afterwards, yet the value of his investment continued to fall until the transfer was completed, which suggests they remained in a volatile fund. I can’t hold Prudential responsible for that.

The advice concession was approved on 13 December 2018, and the advisor obtained an annuity quote on 17 December 2018 which was valid for a month. At this point Mr H’s savings with Prudential had all gained value. And on 18 December Mr H signed the drawdown paperwork which enabled the transfer to take place.

Overall, I think it’s likely Mr H knew he was invested in a higher-risk fund with A. Until that point it had performed well, having grown by 50% since 2015, and made almost £1,000 between August and October 2018. It’s unfortunate the value fell significantly in the period while the transfer was being arranged, but I can’t hold Prudential responsible for that. And as the majority of M H’s pension savings remain invested, they have the potential for growth, which would have been lost if he’d put everything into an annuity. That in effect means that there was less of a potential need to de-risk all the funds with A, because as Mr H later decided to put some of his funds into drawdown, he was going to remain invested, rather than making an irreversible decision to commit them to an annuity.

The avoidable delay between August and October 2018 didn't cause any financial detriment to Mr H because the advice process hadn't completed, and it wasn't yet clear what his decision would be. And Prudential has offered £175 for the inconvenience the delay caused which I think is fair.

my final decision

I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H to accept or reject my decision before 9 January 2020.

Sarah Milne
ombudsman