

complaint

Mr N complains about the reduction in his annuity payments by The Prudential Assurance Company Limited since it took over his annuities from Equitable Life. He highlights the reduction over the previous year. He says that The Prudential has treated him less favourably than its own annuitants and he has indicated that this is intentional due the “deep jealousy and bitterness” between The Prudential and Equitable Life.

background

Mr N complained about the reduction in his annuity payments to The Prudential but it did not uphold his complaint. It said that the reason his payments had reduced was because of a combination of falling with profits returns (and consequent bonus rate) and the high level of assumptions and guarantees applying to his annuities.

Mr N referred his complaint to this service and an investigator considered it. She did not believe it should be upheld. She did not think that The Prudential was doing anything wrong in the administration of the annuities and their performance was dependent on the performance of the with profits fund.

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 N made a similar complaint to this service previously about the reduction in his annuity payments by the Prudential. A final decision was issued by an ombudsman in 2010. I cannot consider or review any of issues that ombudsman dealt with. However I can consider what has happened after 2010. Essentially Mr N has complained about the reduction to his annuity payments since 2010.

However, I am sorry to disappoint Mr N that I arrived at materially the same conclusion as the previous ombudsman as to what has occurred since 2010. The Prudential did not guarantee when it took over Mr N's annuities that payments would be maintained at the same level. Mr N's annuity payments are dependent on what returns The Prudential generates from its with profits fund.

It needs to take into account when deciding what income is sustainable the current and anticipated likely future with profits returns and also the guarantees applicable to his annuities and the anticipated bonus rate with which his annuities were set up. By modern standards the anticipated bonus rate is high at 7% per year – and that is not currently being achieved. It is this combination of factors which has led to a reduction in the annuity payments.

This is very unfortunate but given the with profits returns and the nature of Mr N's annuities, I cannot say that The Prudential has done anything wrong in the administration of them or the annuity payments it has decided are appropriate in the circumstances. The fact that annuity payments have gone down is not evidence in itself that The Prudential has done something wrong. In fact, given the nature of Mr N's annuities and falling returns from the with profits fund, that would not be unexpected.

Bearing that in mind, I have not seen evidence that The Prudential is benefiting its 'own' annuitants (by that I assume Mr N means ex-Equitable Life policyholders) at the expense of Equitable Life annuitants. I think it unlikely a corporate entity would treat a class of its annuitants differently based on a 'dislike' (even if there were evidence of that, which to have not seen) of another company.

my final decision

I do not uphold this complaint or make any award.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr N to accept or reject my decision before 12 February 2018.

David Bird
ombudsman