

complaint

Mrs G's complaint, made on her behalf by her representative, is about the advice that she received to contribute to a Free-Standing Additional Voluntary Contribution (FSAVC) policy with The Prudential Assurance Company Limited. In particular, she was not happy that Prudential did not explain the differences between the FSAVC and the Additional Voluntary Contribution (AVC) scheme offered by her employer's pension scheme.

background

The complaint was investigated by one of our adjudicators. The adjudicator did not recommend that the complaint should be upheld. She noted that the regulations at that time said that a representative should not recommend his own company's FSAVC until he had:

- *Drawn the client's attention to the in-scheme alternative;*
- *Discussed the differences between the two routes in generic terms (taking account, among other things, of the features described in this article);*
- *Directed the client to his employer, or to the scheme trustees, for more information on the in-scheme option.*

And that:

When these procedures are followed and documented, it is not necessary for the representative to undertake a full comparison of the in-scheme AVC and his company's FSAVC.

In this context, the adjudicator considered that:

- the sale of the FSAVC and literature provided followed the guidance that was published by the regulators at the time
- there were no affordability issues and the product suited Mrs G's attitude to risk
- The adjudicator concluded that the advice given was suitable to Mrs G's personal circumstances.

Mrs G's representative did not agree with the adjudicator's findings. It said, in summary, that:

- the regulator's guidance was not followed, as a reason for not recommending the AVC was not given
- the statement detailing the FSAVC and AVC in the recommendation letter was insufficient to make Mrs G aware of the differences in costs between the two
- the documents given to Mrs G were after the sale of the FSAVC and so she did not have all the information to make an informed choice
- had the correct advice been given, Mrs G would have gone with the more cost effective AVC.

Prudential did not provide any further arguments.

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 conclusions as the adjudicator, and largely for the same reasons.

I note that Prudential sent a Personal Financial Review Summary Report on 26 May 1998 which said that the relative merits of FSAVCs and AVCs had been discussed. It also said that Mrs G had been given a copy of the leaflet "*ADDITIONAL VOLUNTARY CONTRIBUTIONS – SOME IMPORTANT FEATURES*".

I am satisfied that the content of this leaflet outlined the generic differences between FSAVCs and AVCs. I note that it also said, amongst other things, that:

Since 1989, any employer who offers an 'in-house' occupational pension scheme also has to offer to provide an AVC facility, so, if you are a member of your employer's pension scheme, you will also be eligible to make contributions to the 'in-house' AVC facility. Information on any 'in house' scheme will be available from your employer or pension scheme trustees.'

And

In many cases the employer bears some, or all of the administration costs whereas in the case of an FSAVC these costs are borne by the customer.

Clearly, it is difficult for me to determine with any reasonable degree of certainty exactly what the adviser discussed during the sales process. However, I am satisfied, on the balance of the evidence, that it was more likely than not that there was some discussion about the differences between FSAVCs and AVCs. Although the letter of 26 May 1998 was sent to Mrs G after the meeting, I consider that it is apparent that she was given the leaflet during the meeting and the discussion took place at that time. And I consider that Mrs G was given sufficient information to alert her about the option of the AVC, that some costs could be borne by the AVC scheme itself and that she could obtain information about it from her employer's scheme. I note that she had only joined her employer's scheme the previous month, so it is likely that she was provided with information about the AVC scheme at that time.

Overall, I have not been persuaded that the FSAVC was inappropriate for Mrs G or that the firm failed to meet its regulatory obligations.

my final decision

Accordingly, my final decision is that I do not uphold Mrs G's complaint.

David Ashley
ombudsman