

complaint

Mr T has complained that The Prudential Assurance Company Limited have mis-managed his with-profits pension fund. He also says they've applied high charges to his fund.

background

Mr T took out a with-profits pension plan with Prudential in around 1988. However, he's unhappy with the performance of his fund since that time. He says that the illustrations provided to him at the time it was sold were misleading. He also says that the fund hasn't performed well because it has been mis-managed by Prudential. Mr T says that Prudential have further reduced his fund by taking high charges.

One of our adjudicator's looked at this complaint and didn't think it should be upheld. He thought that, although Mr T might feel that the fund hadn't performed well, this wasn't because Prudential had done anything wrong. The adjudicator explained how with-profits funds worked in general and that they were subject to market conditions. He also said that Prudential had a large discretion when applying bonuses to funds. It was the award of bonuses which affected the fund value over the life of the plan.

The adjudicator said that the illustrations that Prudential used were based on the standards issued by the Association of British Insurers (ABI). He didn't find that the charges that Prudential had taken from Mr T's fund had been unfairly applied.

my findings

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

illustrations

Unfortunately, the documents that were provided to Mr T at the point of sale in 1988 aren't available now. However, Prudential have sent us templates of the illustrations that they say would have been provided to their customers at the time. Having looked at these, I've no reason to believe that the fund projections provided to Mr T weren't representative of industry standards at the time. The illustration also set out that projections weren't guaranteed. So, I'm satisfied that the illustrations sent to Mr T weren't misleading.

fund performance

With-profits funds have come under some criticism in recent years. The wide discretion given to the providers in deciding how and whether to allocate bonuses can lead to concerns about transparency in how the fund operates. This is why the regulator (now the FCA) requires firms to publish a Principles and Practices of Financial Management (PPFM) document, which explains how they operate the fund. But the regulatory oversight goes further than this.

Prudential's operation of the fund is also supervised by the FCA. If, as Mr T suggests, the fund isn't being managed appropriately, that would be a matter of regulatory concern. I say this because Mr T isn't the only person who might stand to gain, or perhaps lose, from potentially different decisions on how to pay bonuses.

We regularly pass on concerns consumers have raised about specific with-profits funds to the FCA. And I can confirm we have done this with regard to Prudential's fund. In general when a matter is reported to the FCA it has certain duties and obligations regarding the confidentiality of the information it holds. So it often isn't able to confirm specifically what action it might take on a particular matter.

If the FCA does consider that any consumer's comments need to be addressed, then it has the power to make Prudential take further steps in managing the fund. Mr T might then hear of any changes taking place from Prudential directly, rather than through the FCA or this service.

I hope Mr T will appreciate that I've no way of knowing whether this is likely to happen. I'm also not aware that the regulators have had particular concerns about the Prudential with-profits fund in the past. So on balance, I think it's unlikely the outlook for his pension plans will significantly change in the near future. But he may want to take into account that, depending on economic conditions at the time, a final or terminal bonus may be added when he leaves the fund.

Given what I've said, there's no evidence that Prudential have done anything wrong in the management of Mr T's funds.

charges

I know that Mr T is frustrated because he feels that the charges applied to his fund weren't explained to him. However, I've looked at the response from Prudential to his complaint on this issue. They provided Mr T with a table of the charges that had been applied to his fund from the outset. I can see that the initial charges were higher than in later years. This isn't unusual for this type of plan and I can see that this is set out in the policy documents that would have been issued to Mr T in 1988.

From 2002, Prudential have explained that charges have been deducted from the bonuses awarded to Mr T's fund. Whilst this isn't as clear to policyholders like Mr T, Prudential have explained that the charges equate to around 1% of the fund value.

I think this has resulted in slightly higher charges to Mr T's fund. As such, I've considered whether this change is fair to Mr T. The policy document says that Prudential may increase their charges and fees. Prudential appear to have written to policyholders to notify them of this change. Mr T could have transferred his policy if he had been unhappy with this, although he may have incurred transfer charges. But, importantly in my view, the charge is in line with equivalent low cost stakeholder plans which were created at the time. So, overall, I don't think I can make an award to Mr T for the charges Prudential have applied to his plan.

my final decision

I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr T to accept or reject my decision before 30 October 2015.

Abdul Hafez
ombudsman