

## **complaint**

Mr W believes Prudential Assurance Company Limited has increased its charges on his pension fund beyond what he'd agreed to.

## **background**

Mr W wanted to transfer his pension savings held with Prudential from a cash fund into an investment fund, for the potential of better growth. So in 2017, through one of Prudential's own advisors, he transferred his funds into its Prufund 0-30 Fund Series E. At the time he took out the investment he was given a key facts illustration about the product including the annual charges he'd pay. These were shown as a product administration charge of 0.35%, and an investment charge of 0.65% (so one per cent in total). Mr W says the charges were a significant factor in his decision making. The same charges are reflected on his annual benefit statement which also states "*additional investment expenses 0.00%*".

In October 2018 Mr W noticed on his annual benefits statement an additional investment expense of 0.10% which hadn't been there before. He queried this with Prudential which told him the charge was incorporated in the unit price, but Prudential had taken the decision to include this information on statements to be transparent with customers. But he wasn't actually being charged more than before.

Mr W wasn't happy as he hadn't been told about this "additional" charge and wanted Prudential to reduce his charges to the one per cent he'd agreed to. Prudential upheld his complaint that the charge hadn't been clearly set out in the illustration, which it will be going forward. It said the charge is included within the retirement fund terms and conditions, but agreed the explanation was unclear. They awarded Mr W £350 as an apology to cover this issue, together with some other complaint points not relevant to this decision. But it didn't agree to a refund, as he hadn't actually been charged extra. So Mr W brought his complaint to this service.

One of our investigators looked into the complaint, and asked Prudential to provide copies of the charges information Mr W would have been given at the outset. Prudential was unable to provide the actual document, but provided a more up to date version which still showed the annual charge as one per cent. So he could see why Mr W was confused. But the investigator accepted Prudential's explanation that the 0.10% charge had always been incorporated into the unit price, and wasn't an additional charge. And Mr W had been given access to information about the charging structure on Prudential's website. So he didn't ask them to do anything more.

Mr W still feels Prudential has increased his charges without his authority. Particularly as since the complaint has been with this service, he's received notification that the charge has gone up from 0.10% to 0.11%. 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.

I appreciate Mr W's concerns about the charges he's paying on his pension, and why he thinks Prudential appears to be increasing them above what had been agreed. But I'm satisfied the 0.10% wasn't an additional charge. His fund was always absorbing this expense but without him realising, as it was incorporated into the unit price of his fund. Prudential wanted to make its charges more transparent for its customers by showing them separately on statements from January 2018. This is in line with what the regulator is expecting businesses to do. In the past the requirement to separate out all the potential charges and expenses a fund might have to pay to third parties when buying and selling investments was not as stringent. I can see why Mr W feels the information provided was previously a bit misleading when it stated "*additional charges 0.0%*", but this reflects that at that time, Prudential didn't have a way of separately identifying the additional dealing costs within the fund that subsequently amounted to about 0.10%. It also wasn't an "additional" charge, it was just a charge Mr W wasn't previously aware he was paying.

Mr W may have thought his agreement meant he would never pay more than 1% in charges. But Prudential has shown me an extract from the point of sale document headed "*Investment Charges*". It explains the investment charge is "*the cost of managing [your] investments*" and gives the yearly charge as 0.65%. But underneath it reads "*Yearly charges may be different between funds and may vary throughout the lifetime of your Prudential Retirement Account.*"

I can't be sure the Prudential advisor drew this to Mr W's attention. But the warning the charges can vary is right underneath the yearly charge figure of 0.65%. As charges were a key factor in his decision, I think Mr W should reasonably have seen it. I've seen nothing to suggest Prudential assured Mr W its charges would never rise above 1% in total. So I can't say it's acted unfairly by separately itemising the additional charge of 0.11% as shown on his recent statement, rather than it just being included in the calculation of the unit price. But Prudential recognised it hadn't communicated with Mr W as well as it could have. So it paid him £350 for this, along with some other customer service issues, which I think is fair.

Mr W says he was attracted to Prudential because its charges seemed reasonable. He may have had a similar experience with other providers during the period in question, because all providers are working to improve the way they disclose their charges. Now he's fully aware of the charges applicable to his investment, he can research the market for providers offering lower charges if he wishes. While I understand Mr W will be disappointed, I don't uphold his complaint and won't be asking Prudential to reduce or refund his charges.

### **my final decision**

I don't uphold this complaint in the sense the redress already provided by Prudential Assurance Company Limited is fair.

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

Sarah Milne  
**ombudsman**