

complaint

Mr S has complained about information The Prudential Assurance Company Limited gave when he set up his Teacher's Additional Voluntary Contribution (TAVC) plan. Mr S says if he'd been given better information, he would've purchased added years in the Teachers' Pension Scheme (TPS) instead of setting up the TAVC plan.

background

Mr S met with a representative of Prudential in 1991. At the time, he was 39 years old, employed as a teacher and earning just under £21,000 a year. He'd been a member of the TPS since 1981.

Prudential recommended Mr S take out a TAVC plan. He contributed initially 4% of his salary. But he increased his contributions in later years and he also stopped contributions temporarily before restarting them.

In 2018, Mr S complained to Prudential about the sale of his TAVC plan. He said he didn't want to take any risk with his retirement planning, and would have bought added years if Prudential had given him clear enough information about this option.

Prudential said that, when selling Mr S the TAVC in 1991, it only had to make a general reference to his other options. It pointed out that the application form had a section that asked Mr S if he had bought past added years. In any event, Prudential didn't think Mr S would have bought added years. It did point out that the paperwork Mr S completed when he increased his contributions in 1996 and 2002 included information about the option to buy added years. Unhappy with this response, Mr S referred his complaint to our service.

One of our investigators reviewed Mr S's complaint but didn't uphold it because:

- he thought the TAVC was a suitable level of risk for Mr S;
- It's likely Mr S would only have been able to buy four out of the nine added years he was eligible for; and
- It's likely the TAVC option would have looked more attractive at the time as it would've been expected to grow more than the benefits added years would provide.

Mr S disagreed so this has come to me for 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 agree with our investigator's conclusions. I realise this is likely to disappoint Mr S, but I'll explain my decision.

I have reviewed Mr S's TAVC application form from 1991 and the form did ask whether he had bought past added years. The section is left blank, but Mr S signed the declaration on the application form to confirm the information it contained was correct. But even if Prudential didn't meet its requirements to make Mr S aware of the added years option in 1991, I don't think it's likely he would have gone ahead and bought added years.

Mr S would have been eligible to buy around nine past years of service from the TPS. It's likely each additional added year bought would have cost around 1% of his salary. Mr S chose to contribute 4% of his salary in 1991. As Mr S didn't contribute more to his TAVC plan in 1991, I don't think I could conclude he was able to afford to pay 9% of his salary to buy the maximum nine added years he was eligible for. But it's likely he could have bought three or four added years for the same amount he was paying into his TAVC.

The cost of added years of service for local government schemes was set by the Government Actuary using conservative assumptions of likely future investment experience. The aim was to make sure, as far as possible, that the cost of added years would be met by the scheme's members, rather than the employer.

In 1991, it was thought the projected benefits from an AVC scheme would be greater than the benefits from buying added years. So it's difficult to say now that Mr S would definitely have considered it the cost effective or affordable option. Investment returns achieved by the TAVC were much lower than expected. But it's only with the benefit of hindsight that we know that Mr S may have been better off buying added years. I can't use information that wasn't known at the time to make my decision.

The TAVC offered Mr S greater flexibility than buying added years. A decision to buy added years in 1991 would have meant Mr S committing to increasing his contributions in line with his annual salary increases. Mr S took advantage of the flexibility offered by the TAVC; he chose to increase his contributions periodically, but he also took advantage of the TAVC plan's flexibility and stopped payments temporarily. So I don't think there's enough evidence to suggest Mr S would have wanted to commit to buying added years in 1991.

I'm also conscious that in Mr S's applications to increase his contributions to his TAVC, Prudential drew his attention to the added years option on more than one occasion. In 1996 and 2002, Mr S signed to agree he had been made aware of the booklet entitled "A Guide to the Teachers' Pension Scheme" with regards to the 'Past Added Years' option.

I don't think it's unreasonable to conclude that by signing these declarations, Mr S was agreeing that the information on the form was correct, that he'd been made aware of the booklet and added years option. I think Prudential took sufficient steps on these occasions to make Mr S aware that buying added years was an option. It was for Mr S to then decide if this was an option he wanted to explore further. But by opting to continue his TAVC, I think that this suggest that it's more likely than not that Mr S would also have chosen the TAVC even if he'd been given sufficient information at the initial sale.

my final decision

For the reasons explained above, I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 19 January 2019.

Vicki Blackwood
ombudsman