

complaint

Mr E's complaint is about the way The Prudential Assurance Company Limited switched his funds when it was introducing newer versions of them in July 2018. He considers he's lost out financially as a result of the way it was processed.

background

Prudential wrote to Mr E in April 2018 to let him know it was introducing newer versions of its existing funds - from Series 1 to Series 3. It said the process would start the week of 16 July 2018. The letter also said from 23 July 2018 some new fund options would become available.

Mr E called Prudential on 12 April to ask about the new fund options. The agent said they wouldn't be available until 23 July. On 17 July Mr E called about the new funds again and the agent asked him to send his instructions in writing.

Mr E wrote to Prudential on 17 July 2018 requesting a switch from the Series 1 fund to a new fund. He said he expected the switch to override the default action – in other words to switch directly from Series 1. Prudential said it received the instruction on 19 July 2018.

Prudential switched the funds from Series 1 to Series 3 on 20 July. It subsequently actioned his instruction to switch to the new funds on 31 July, but this was backdated to the new fund start date of 23 July.

Mr E complained to Prudential about the matter. Prudential acknowledged that it hadn't given Mr E information about the switch as he'd asked. And although it thought it had switched the funds correctly, it didn't think its letter from April 2018 made it clear that the default switch would be done between 16 July and 22 July and that the Series 1 fund would be closed after that date. It offered Mr E £175 in total for the inconvenience caused.

Mr E didn't accept the offer and referred the matter to us. And one of our investigators looked into his concerns. She thought the April 2018 letter from Prudential made it clear when the switches to the Series 3 funds would *begin*. But the letter didn't make clear when the switches were due to be completed.

However the investigator didn't think that Mr E would have acted differently if the letter had explained the default switches would be completed between 16 and 22 July. This was because the new fund options didn't become available until 23 July 2018. So Mr E wasn't able to switch directly from the Series 1 funds to the new fund.

The investigator also didn't think Mr E had lost out financially as a result of how Prudential had carried out the switch from Series 1 to 3 – the same value had been transferred. And although Prudential hadn't carried out the switch to the new funds until 31 July, it had backdated the switch to the 23 July.

Mr E didn't agree with the investigator's findings. He didn't think the transaction was a 'switch' as defined in the Member Booklet as in this case the action was initiated by Prudential. He noted the booklet said the bid price of the fund was the value of the fund divided by the number of units and he said he would like us to audit Prudential's calculations to confirm that the bid price used was the real fund value divided by the number of units. And that it had not made any further 'tweaks'.

He also said that although Prudential had said the new funds weren't available until 23 July they had been available for a number of years. And he provided evidence to show this. He said Prudential hadn't given any reason why the move was necessary. He said he was alerted to the new funds in the same letter as the information about the switch, and there was no warning that the move might incur a cost. When he wrote to confirm his request for a direct transfer he wasn't told this wasn't possible or again that a cost might be incurred.

my findings

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

Generally, it's a firm's own commercial decision as to what funds it wants to offer and for what products. It may be that some funds are only available through certain products. I'm satisfied Prudential is entitled to choose to cease access to a certain fund or only offer certain funds from certain dates – even if they are available through other products. Mr E already had a pension with Prudential and was invested in a certain fund(s). So I think what's material here is that, when deciding to withdraw funds as it was entitled to do, it allowed Mr E to switch funds without incurring additional costs.

Like the investigator, although I think Prudential could have been clearer in its April 2018 letter (and in fact when Mr E contacted it), I don't think Mr E lost out as a result of the switch of the Series 1 fund at the bid price. At some point the units would be sold. The bid price reflected the actual value. And the subsequent switches used single prices to buy and sell. I'd agree with Mr E's view on costs if he'd been switched to other bid/offer priced funds and Prudential had used an offer price to buy. But this wasn't the case here – the actual value was re-invested on a single price basis. And there wasn't any further costs or pricing spread on the subsequent sales; in this case either to the series 3 funds or the newly available funds on 23 July 2018.

I also think the timing of the availability of the new funds has clouded matters – given the proximity of the cessation of the Series 1 funds to the availability of the new funds. It wasn't possible for Mr E to switch directly from the Series 1 funds to the new funds – the closure of the Series 1 fund was prior to the availability of the new funds – albeit only a very short period. I think if the new funds had become available a few weeks later it would have been clear there would be a period of time that Mr E would be in the Series 3 fund (or another fund available at that time). So even if Prudential had explained things more clearly, the fact of the matter was that there was going to be a very short period between the end of the Series 1 and the availability of the new funds. So Mr E was always going to have a period of investment in another fund – which would be subject to market risk.

Mr E has said he'd like us to audit the fund to ensure the full fund value is fully reflected in the bid prices. Whilst I understand that Mr E may be suspicious of Prudential generally given his experiences, he hasn't provided any persuasive evidence that Prudential is valuing its fund incorrectly. It's not our role to carry out a regulatory audit as we do not regulate financial businesses or supervise or monitor the management of its funds – that is the role of the industry regulator the Financial Conduct Authority.

Having carefully considered all the circumstances, I'm satisfied that Prudential was entitled to withdraw the availability of the Series 1 fund for Mr E's particular product. And that

although it could have been clearer with Mr E, it didn't process the switches in an inappropriate manner.

my final decision

I am aware that The Prudential Assurance Company Limited made an offer of £175 in total for the distress and inconvenience caused by the lack of clarity in its communications with Mr E. I conclude that the offer is fair and reasonable in all the circumstances. My decision is that The Prudential Assurance Company Limited should pay Mr E £175 (if it hasn't already done so).

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr E to accept or reject my decision before 14 April 2019.

David Ashley
ombudsman