

complaint

Miss A complains that:

- The Prudential Assurance Company Limited (Prudential) closed the funds that her pensions were invested in without her consent. And it then invested them into cash funds which she says weren't in line with the risk profile of her original funds.
- Prudential then didn't provide her with sufficient information to make a decision about switching her money to other more suitable funds.
- In order to switch her money to more suitable funds she'll need to take financial advice which she believes Prudential should pay for.

background

The background to this complaint, and my initial conclusions, were set out in my provisional decision dated 9 May 2019, a copy of which is attached and forms part of this final decision.

In my provisional decision I explained why I thought Prudential's offer to pay £50 for any inconvenience it had caused was fair and reasonable and invited both parties to send any additional comments or evidence they wished to make.

Prudential said it accepted the provisional decision, but Miss A didn't agree. She said it wasn't fair that a provider could close pension funds without providing information on alternative, suitable funds to invest in. She said she still hadn't received the help she needed to reinvest her pension without having to engage a financial adviser – which wasn't her fault, and she would be in the same position now even if she'd questioned Prudential's actions earlier.

my findings

I've reconsidered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint. And I fully appreciate Miss A's frustrations at the situation she finds herself in.

But as I explained in my provisional decision Prudential was entitled to make the decision to close the fund Miss A was invested in, and I'm satisfied that it explained this to her and made her aware that she was required to take some action to move her money into another fund – or she would end up invested in a cash fund.

I previously said that Prudential could have been more helpful in directing Miss A to its website – for details of the alternative funds – in its first letter to her. But I think it did make her aware that she needed to take some kind of action.

Ultimately the issue here is that Prudential wasn't Miss A's financial adviser – and there's no evidence of any arrangement where it offered to give her advice. So it wasn't able to make any form of recommendation about what funds might have been suitable for Miss A to reinvest into. It's unfortunate that Miss A doesn't think the information she's been provided with has enabled her to decide how she should invest – but I don't think that's an error Prudential has made.

Prudential did make Miss A aware that she ought to consider taking financial advice in order to reinvest her funds, but I don't think it should be responsible for any costs that might

involve. I understand Miss A's disappointment that she would have to bear the costs for any advice that stemmed from Prudential's' decision to close one of its funds, but these are commercial decisions that a business is entitled to make from time to time. What I would expect is for the business to make a consumer aware of its actions and provide whatever information is necessary to act accordingly. In this case I'm satisfied Prudential did that.

I know Miss A would like me to tell Prudential to make her aware of which fund is a suitable replacement for the one she was invested in – or to at least pay for the advice she might need to make that choice. But I think overall Prudential has acted fairly in how it's treated Miss A, following the closure of one of her original pension funds.

Prudential did offer to pay Miss A £50 for not returning one of her calls and also not confirming one of the switches in writing. And I think in the circumstances and how that impacted Miss A that's a fair and reasonable offer.

my final decision

For the same reasons I've already given in my provisional decision, I've decided The = Prudential Assurance Company Limited should pay Miss A £50 if it hasn't already done so.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss A to accept or reject my decision before 26 July 2019.

Keith Lawrence
ombudsman

copy of provisional decision

complaint

Miss A complains that:

- The Prudential Assurance Company Limited (Prudential) closed the funds that her pensions were invested in without her consent. And it then invested them into cash funds which she says weren't in line with the risk profile of her original funds.
- Prudential then didn't provide her with sufficient information to make a decision about switching her money to other more suitable funds.
- In order to switch her money to more suitable funds she'll need to take financial advice which she believes Prudential should pay for.

background

Miss A held a number of free standing additional voluntary contribution (FSAVC) plans through Prudential, who had taken over the administration of the plans from a previous provider. In October 2017 Miss A received a letter from Prudential which explained that it had taken the decision to close the funds that two of her plans were invested in and that she should switch to alternative funds – by a certain date – or Prudential would automatically switch the plans into cash funds. At that time her money was invested in a 'safeguard fund'.

In March 2018 Prudential issued a follow up letter explaining that it had moved Miss A's investment in the pension plan into a cash fund on 8 December 2017, and said that she should consider switching from cash to an alternative fund.

In June 2018 Miss A telephoned Prudential regarding the letter she'd received in October 2017. She requested copies of the fact sheets for the alternative funds. Several days later she complained that she hadn't received a call back as agreed. She also said she hadn't received a closing statement for one of her plans and wanted to know why both plans had been closed.

Prudential apologised for not calling Miss A back and also for not confirming – in writing, one of the switches. It paid Miss A £50 compensation for any inconvenience caused by both matters. But it said it had now provided details of the plans – including the funds they were invested in, and confirmed that the plans weren't 'closed' – although the funds they were originally invested in had been.

Miss A was unhappy with the response and in July 2018 she complained to Prudential. In summary she said that:

- Prudential hadn't explained why it closed the original fund and switched her into a cash fund.
- She hadn't given her consent for Prudential to close the fund and didn't believe the cash fund was a suitable alternative.
- Prudential should pay for the cost of the financial advice she required to establish what funds were suitable for her.
- Prudential should refund any investment loss she'd suffered while she was invested in the cash fund.

Prudential didn't uphold Miss A's complaint explaining that it had made a business decision to close the fund her plans were invested in – and that it had written to Miss A, setting out her alternatives. It said it also confirmed that a cash fund might not be a suitable alternative fund and recommended that Miss A sought financial advice.

Miss A didn't agree. After further correspondence with Prudential she brought her complaint to us. Her money remains invested in a cash fund.

One of our investigators looked into the complaint and said that Prudential should pay an extra £100 for not making Miss A aware of the alternative funds that were available in October 2017. But she didn't think Prudential should pay for any financial advice Miss A might need and shouldn't have to compensate Miss A for any investment loss she might have suffered.

Miss A said the information she'd already received wasn't sufficient and she just wanted to be able to switch to similar funds to what she'd originally held, without being financially disadvantaged.

Prudential didn't agree to the investigator's recommendation to pay a further £100 compensation as it said it hadn't done anything wrong. As no resolution could be found the complaint has been passed to me for a decision.

my provisional findings

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

Miss A has said that Prudential shouldn't have closed the funds she was invested in originally and also didn't provide her with what she needed, to switch to other suitable funds. She also wants Prudential to pay for the advice she now says she'll need to complete the switch.

I've considered all three parts of Miss A's complaint and I don't think Prudential has done anything wrong here. I know Miss A will be disappointed with that outcome, so I'll explain why.

Closure of existing funds

In October 2017 Prudential wrote to Miss A to explain that it was closing the 'safeguard' fund that her pension was invested in. This was a commercial business decision that Prudential made having reviewed its fund range. Prudential was entitled to exercise such a legitimate business decision and we wouldn't normally interfere in that process. I don't think it needed Miss A's consent to make its decision, but what I would expect Prudential to have done is to inform Miss A of the decision – giving its reasons, and offering options and alternatives so that Miss A wasn't disadvantaged.

And I think it did that in the letter it sent to Miss A in October 2017 which explained:

"We regularly review the funds we offer, to help you get the best from your investment. This means we're closing at least one of the funds you have on 8 December 2017. Details of your affected investments are attached. Where we're closing a fund, we'll move your money to another Prudential fund with the most similar investment objective. When that's not possible we'll move you into the Prudential Cash Pension Fund".

So I don't think Prudential did anything wrong here as I think it did explain why it was closing the funds and it did explain to Miss A what options she had.

Failure to let Miss A know about the alternative funds.

In her letter of 20 June 2018 to Prudential Miss A said *"In October of last year I received a letter from Prudential advising me that you were closing the above FSAVC's and that I would need to choose a new fund or they would be placed into a Cash Pension Fund".*

So I'm satisfied that Miss A was aware that the funds were being closed and that some action was required or she would be invested into cash funds. In the same letter Miss A has referred to, Prudential advised:

"in the current low interest rate environment a cash fund should not be considered an alternative investment. We highly recommend that you consider an alternative investment".

It also gave details of how she could contact an adviser if required.

So I think Prudential had made it clear that if an alternative wasn't chosen then the default cash fund might not be appropriate in the longer term. And it also made it clear that – as her plan administrator – it wasn't able to give her any advice on what funds she should switch into.

But Miss A has said that she wasn't provided with any details of alternative funds and so she couldn't make any decision about a switch. So I've considered the letter from October 2017 very carefully to establish whether Miss A was given sufficient information to act or whether Prudential should have done more.

The letter, under the heading "*what are your options*" stated "*you can choose to: switch into any of the funds available for your product*" or "*do nothing*". Within the first option the letter said that an enclosed form needed to be returned detailing any new funds that were chosen. I note that Prudential referred to moving the money to another fund with "*the most suitable investment objective*" and within the letter quite clearly explained details of the closing safeguard fund and details of the replacement fund – which was the cash fund.

But I don't think Prudential was in a position to recommend a suitable fund as it wasn't able to give Miss A any advice. I think Prudential had a duty to make Miss A aware that she should take advice before making a decision and it needed to explain what the default position would be if she didn't. And I think Prudential did that within the letter.

I've gone on to consider if Prudential should have provided details of the funds that were available to Miss A. And I accept that it might have been more helpful if it had directed Miss A to its website for details of all of its funds. But I think, overall, Prudential's letter made it clear that Miss A needed to take some kind of action or her pension plan would be automatically invested into a cash fund. So I would have expected Miss A to have contacted Prudential – on receipt of the letter – to enquire as to what funds were available.

I note she didn't make that enquiry until June 2018, having already received another letter in March 2018, to confirm the switch to a cash fund. If Miss A wasn't able to make a choice in October 2017 – due to a lack of information, I would have expected her to have contacted Prudential at that point. I note she said she was aware she would be invested into the cash fund – which she has said wasn't appropriate for her. So by contacting Prudential and asking for details of alternative funds she would have been able to mitigate any possible investment loss incurred by investing in cash.

Cost of providing financial advice

I know Miss A says she's not qualified or informed enough to make a choice on which funds to switch to – and that the information she was provided with by Prudential wasn't clear enough for her to understand. And I have some sympathy for her position because she just wants her pensions to be invested in a similar way to how they were originally. But Prudential didn't advise her on how she should invest her pension plans originally and because it's not her adviser it can't do that now.

I've looked at the fund fact sheets available to consumers on Prudential's website so I'm aware of the information available. And I don't think Prudential can do any more than make that information available to Miss A in a form that's prescribed by the regulator. So, if Miss A feels she's unable to make a decision about which funds to switch into – based on the information available, I would encourage her to seek advice on the matter.

But Miss A has said that – if she takes any financial advice, it's going to cost in the region of £1,000 – from what she says Prudential has told her. I'm not aware of what the cost of advice would be, but I'm afraid – in my view, it's a cost Miss A would have to bear and it wouldn't be fair for me to ask Prudential to pay for it.

Prudential is the administrator of Miss A's plan and hasn't ever advised her on an investment strategy. It doesn't have any advisory relationship with Miss A. So if Miss A had wanted to take any advice throughout the term of the plan, which could have previously included switching funds, she would have needed to seek out this advice herself and pay for it.

It's unfortunate that this situation has arisen because Prudential has taken the decision to close one of its existing funds – but as I've said it's entitled to do that. I think Prudential has given Miss A the information she needs in order for her to choose alternative funds, but if she doesn't feel able to do that then she will have to consider taking financial advice, which unfortunately is likely to incur a cost.

Compensation

Prudential has accepted that its service was below standard when not confirming one of the switches in writing and also when not calling Miss A back on one occasion. It has paid Miss A £50 for the inconvenience that caused. In the circumstances I think that's a fair settlement for what happened. But I don't think Prudential should have to do anything further. It didn't say it had enclosed details of alternative funds within its letter of October 2017 – so I can't say it's made an error for which it should pay further compensation.

As I said previously it would have been helpful for Prudential to have provided alternative fund details or pointed Miss A to where that information was held. But I think it was clear to Miss A what was going to happen when the original funds were closed – and I think she could have asked for the information she required to decide how to switch her money elsewhere if she didn't want the default cash fund to be used.

I haven't seen any evidence to show that Prudential was going to invest the money elsewhere so I don't think Miss A should have expected it to have done that. I think it was clear that the letter explained she was required to act by telling Prudential which fund she wanted to invest in. I can't safely say it's Prudential's fault that she felt unable to do that, or that Prudential should pay for any financial advice for switching funds that Miss A might now decide to take.

my provisional decision

I am aware that The Prudential Assurance Company Limited has made an offer to pay Miss A £50 for the poor service it provided. I think such an offer is fair and reasonable in all the circumstances. My decision is that The Prudential Assurance Company Limited should pay Miss A £50.

Keith Lawrence
ombudsman