

complaint

Mr D has complained about the service he received from The Prudential Assurance Company Limited (referred to from now on as 'Prudential') when setting up his annuity. Mr D is unhappy that he did not receive a gender specific enhanced annuity and he says Prudential did not tell him of the date it was implementing gender neutral pricing (GNP). He is also unhappy that the address Prudential provided for the return of documents was incorrect.

background

The adjudicator who dealt with this complaint considered it should be upheld. In summary, he noted that Prudential had already agreed to recalculate Mr D's annuity on a gender specific basis. However, he also noted that Prudential had acknowledged that it had not provided Mr D with information regarding the date it was implementing gender neutral pricing (11 November 2012). The adjudicator considered that if it had, it was reasonable to say that Mr D would have requested an enhanced annuity quote earlier. The adjudicator considered that Prudential would then have likely sent the medical questionnaire to Mr D earlier than it did and Mr D would have returned the document by 11 November 2012.

The adjudicator therefore recommended that Prudential should determine the enhanced gender specific annuity it would have offered Mr D as at 11 November 2012. If this amount was higher than the annuity Mr D was receiving, he recommended that Prudential increase the annuity to this amount and pay any arrears. In addition, the adjudicator recommended that Prudential increase the compensation it had offered in respect of the distress and inconvenience Mr D had been caused from £50 to £150. This was in light of the number of errors which Prudential had made, which included the failure to inform Mr D when it was implementing gender neutral pricing, providing an incorrect address for the return of documents and setting up his annuity on a non-enhanced gender neutral basis.

Prudential responded and said that it was willing to make an offer to Mr D in accordance with the adjudicator's recommendation. The adjudicator therefore put the offer to Mr D.

Mr D responded and said he was unwilling to accept the offer without knowing the value of the enhanced annuity. In addition, he said that as Prudential had not provided him with an enhanced annuity value when it should have, he had not had all the facts in front of him regarding the decision '*whether or not to accept their quotation or go to the open market*'. He said that from his experience, the annuities different providers offered could differ between 15 - 20%.

In light of Mr D's response, the adjudicator asked Prudential to calculate the value of the enhanced annuity. Prudential responded and said the enhanced gender specific annuity it would have paid using the rates as at 11 November 2012 was approximately £1 lower than that had been setup. The adjudicator therefore passed this information on to Mr D and said that he had no reason to doubt the accuracy of Prudential's figures. In addition, the adjudicator explained to Mr D that he did not consider Prudential's delay in providing him an enhanced annuity quote affected his decision whether to go to the open market. This was because Mr D could have requested annuity quotes from other providers before, during and after he had encountered the problems with Prudential.

Mr D responded to the second view and, in summary, said the following:

- The annuity that Prudential had initially setup was on a non-enhanced gender neutral basis.
- He therefore said that it was '*utterly ridiculous*' that Prudential was saying that an enhanced gender specific annuity was only approximately £9 higher.
- He was not given the opportunity of going to the open market as he was pressurised into making a '*spur of the moment decision*' as he had previously set out in correspondence. In addition, he said that even if he had received open market quotations from other providers, he could not have made a decision on which way to proceed as he did not have annuity figures from Prudential.
- Prudential's letter of response to his complaint said that its final date for gender specific quotes was 11 December 2012, not 11 November 2012. As such, he questioned why it had not provided an enhanced gender specific quote initially.

Following receipt of Mr D's response, the adjudicator spoke to Mr D to reiterate that he had no reason to believe that Prudential had not complied with his recommendations. He also said that he had been told that the small difference between the gender neutral and gender specific annuities was due to the fact that the annuity was a joint life annuity. As such, the life expectancy of Mr D's wife had been factored in to the annuity. The adjudicator also mentioned that the reason the figure Prudential had calculated was lower than his actual annuity could be because annuity rates in general had increased between 11 November 2012 and the date originally used to calculate Mr D's annuity, which was 16 November 2012.

Mr D sent a further letter to the adjudicator. In summary, he said the following:

- He agreed with the adjudicator's reasons for upholding his complaint but did not agree with the figure Prudential had calculated.
- He had contacted several annuity specialists who were '*also baffled by the fact that the Prudential are saying that an enhanced gender specific annuity is less than the gender specific*'. This was particularly the case in light of the adjudicator's comments that the annuity rates had risen between October and November 2012.
- He wanted a detailed explanation of how Prudential had arrived at its figure.

In light of the Mr D's responses, the adjudicator sent a further letter to Mr D. He set out the response he had received from Prudential. This was as follows:

'I confirm that we have obtained the annuity details assuming the enhancement had been applied as requested. I have been informed that the figures made no difference.'

Using the original annuity commenced on 16/11/2012 on GNP rates, the annuity was £4,047.72. The annuity on GSP rates was £4,057.92 per annum. Using a commencement date, purchase date and rates as at 11/11/2012 as requested the annuity amounts to £4,056.84 per annum, as previously advised.'

In addition, the adjudicator explained that the annuity rates a provider offered was a matter of its commercial judgement and, as such, our service was not able to comment on them in accordance with the rules setting out our powers. However, he did set out some general comments on the factors that would affect the rate offered. He explained that this would include a person's age, sex, where they live and health.

The adjudicator also explained that the rate would be affected where an annuity is on joint life basis. This was because the rate must factor in the cost of providing the contingent

spouse's benefits. He explained that this meant that the impact of the implementation of gender neutral pricing had therefore been more limited for joint life annuities. This was because the decreases to the annuity rates offered to men, who have lower life expectancies to women, have been offset to a degree by the increases in the rates offered to women. In this case, the adjudicator noted that the enhanced annuity related to the fact Mr D's wife had a medical condition. He said that it was unsurprising that this may have had a limited impact on the annuity rate offered to Mr D as the principal annuitant. Lastly, the adjudicator said he was satisfied that Prudential had complied with his recommendations.

Mr D responded to the adjudicator and, in summary, said the following:

- He did not agree with the adjudicator, particularly in light of the adjudicator's comments that the annuity rates had risen between October and November 2012.
- He again questioned how the annuity offered on a gender specific basis was higher than one offered on an enhanced gender specific basis.
- He questioned if Prudential were saying that his wife's medical condition would increase her life expectancy.

The process for the complaint to be reviewed by an ombudsman was therefore started and both parties invited to make any further comments. The adjudicator also explained to Mr D that his previous comments regarding a possible rise in annuity rates related to average figures determined from a number of different providers. These movements are not necessarily reflected in the rates a specific business offers to a specific individual.

Prudential said it had no further comments.

Mr D responded and, in summary, said the following:

- The adjudicator had not referred to average rates in their conversation.
- He reiterated that he had not been able to go to the open market due to Prudential's errors. In particular, he referred to his previous complaint against the business and said that the delay in dealing with this complaint by Prudential and our service meant that he had not been able to go to the open market.

my findings

I have considered all the available evidence and arguments to decide what is fair and reasonable in the circumstances of this complaint. Having done so, I have come to the same overall conclusions as the adjudicator, and for broadly the same reasons.

Firstly, I note that Mr D has questioned if Prudential implemented the gender neutral pricing on 11 November 2012 as it referred to December in its response to his complaint. I am satisfied that this reference was an error. It was widely publicised at the time, and the notifications are still readily available, that Prudential made the commercial decision to implement the change in November 2012.

Turning to Mr D's statements that he was prevented from being able to obtain quotes from the open market, I consider Mr D could have obtained such quotes from other providers before and during his interactions with Prudential. However, he has not provided any evidence that he sought such other quotes. Whilst Prudential's errors and consequential delays may have meant Mr D did not have a quote from it to make a comparison with other

providers, in the absence of any evidence that Mr D requested quotes from other providers, I cannot reasonably say he would have done so but for Prudential's errors.

Regarding the errors, I consider that the recommendations set out by the adjudicator, which Prudential has accepted, were reasonable. As Prudential has accepted the recommendations, I consider that the primary decision I have to make concerns the amount of compensation Prudential should pay.

Having considered the evidence I am satisfied that the business has complied with the adjudicator's recommendations. The rate that a provider chooses to offer to its consumers is ultimately a question of its commercial judgment but I note that the enhanced annuity it offered to Mr D before the matter was referred to our service was lower than the non-enhanced annuity that it offered using the rates as at 16 November 2012. I consider this supports the assessment that the annuity Prudential has calculated in accordance with the adjudicator's recommendation is reasonable. I also note that the fact the enhanced annuity was lower led to Mr D originally accepting the non-enhanced rate.

As the annuity Mr D is receiving is higher than the enhanced gender specific annuity using rates as at 11 November 2012, I do not consider he has suffered any loss. However, I consider that the business should pay him the compensation the adjudicator recommended in respect of the distress and inconvenience.

my final decision

I uphold this complaint in part against The Prudential Assurance Company Limited and I direct it to pay Mr D a total sum of £150 for the distress and inconvenience that he has suffered in full and final settlement of his complaint.

Adrian Hudson
ombudsman