

complaint

Mr E has complained about the value of his Prudential Assurance Company Limited ("Prudential") personal pension plan ("PPP") which he started in 1987. Mr E has said that at the time of the sale, or in the years since then, Prudential did not make him aware that his eventual retirement fund could be significantly less than the figures quoted to him. As such, Mr E considers the PPP was wrongly sold to him.

background

One of our adjudicators investigated Mr E's complaint and wrote to him on 30 April 2013 to explain why it should not be upheld. The adjudicator described how Mr E's PPP worked and set this against the investment climate since 1987 which means that Mr E's PPP had failed to achieve the illustrated returns that were given to him in 1987. Although regulator approved at the time, with the benefit of hindsight it is now apparent that these illustrations were unduly optimistic.

The adjudicator had no concerns about Prudential's management of its with-profits fund or about the suitability of the PPP for Mr E given his circumstances at the time of the sale.

Mr E did not accept the adjudicator's findings. In summary, Mr E explained that:

- The adjudicator's assumption that Mr E was aware that the value of the PPP at retirement was subject to investment returns is incorrect. Mr E says he was led to believe the estimated fund value at retirement was an accurate financial forecast which could be subject only to minor change. This was why he agreed to commence the PPP.
- Prudential has been quick to inform Mr E of the good years but never about any major shortfalls. He only established there was a shortfall when the PPP matured.

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 reached the same conclusions as the adjudicator and for the same reasons.

I note that when Mr E commenced his policy in 1987 he was provided with an 'Illustration of Pension Benefits' document. This stated in paragraph 1 that *'It is emphasised that that the actual benefits may be significantly different (greater or smaller) from those illustrated'*.

I also note that in his letter to Prudential in August 2012, Mr E said *'I am aware that such investments can reduce in value as well as increase'* and in his submission to this service in early 2013 that *'I was aware that the pension fund was not guaranteed as investments could be more or less than the assumptions made in the quote'*.

Notwithstanding the above, Mr E has reiterated that he was unaware that his PPP was linked to investment performance. However he also refers to Prudential writing to him over the years to explain how well the with-profits fund was performing. Mr E included in his submission copies of the covering letters to the annual bonus statements he received from Prudential. Some of these letters referred to enclosures which themselves explained how the with-profits fund worked. As the adjudicator indicated in his assessment a key part of the

letters sent by Prudential every year were Mr E's individual bonus statements which included details of fund values and projected income at retirement.

Therefore, for the reasons set out above, I am persuaded that Mr E was made reasonably aware of how his PPP operated and that fund values and income projections could differ year by year.

I can understand Mr E's disappointment with the value of his PPP. There is no doubt that this value is much less than what was projected in 1987. But that does not mean the PPP was wrongly sold. It is simply that investment returns have not matched those anticipated in 1987. The anticipated returns were not guaranteed. These disappointing returns have been compounded by prevailing low interest rates which have had a detrimental impact on current annuity rates. The illustrations provided to Mr E in 1987 assumed a substantially higher fund value than has actually been achieved and an annuity rate of 10%, considerably in excess of current rates. Hence the significant variance between the income projections and that actually realised on retirement.

I understand that Mr E is disappointed with the investment performance of his personal pension plan. But on the evidence I have seen, it would be neither fair nor reasonable to conclude that Prudential wrongly sold the policy to Mr E in 1987 or that they failed to inform him that his fund value was not guaranteed or that his income on retirement may differ significantly from the original illustrations.

my final decision

I do not uphold this complaint.

Terry Connor
ombudsman