

## **complaint**

Mr W complains that the retirement plan he took out with The Prudential Assurance Company Limited was mis-sold. This is because it is now projected to only pay him 10% of what he was originally quoted.

## **background**

In 1984, Mr W received an illustration for a retirement plan with Prudential. For a gross monthly premium of £20, the illustration showed he could have total pension on retirement of £31,815 or a tax-free cash sum of £63,939 and a reduced annual pension of £18,457. Mr W started the retirement plan in March 1985.

But Mr W's annual pension statement for 2017 projected that he would receive a cash sum of £11,100 on his retirement date with a yearly pension of £1,950.

Mr W complained that he believed the plan had been mis-sold to him.

Prudential said that Mr W's plan had a guaranteed basic annuity to which bonuses are added. It said the illustration he was given in 1984 was only a prediction of what might happen based on assumed rates of return which weren't guaranteed. And these rates have been revised over the years as lower returns have been seen.

One of our adjudicators looked into Mr W's complaint. She said the illustration Mr W received showed a guaranteed annuity of £1,466.42 but the values and projected income shown weren't guaranteed. She was satisfied that this was clear from the plan information Mr W was given. She didn't think Prudential should be responsible for the assumed rates of return not being achieved.

Mr W didn't accept the adjudicator's findings. He said that the complaint had been viewed in simple back and white terms, but there was a grey area because he accepted the plan might not offer exactly what was quoted but wouldn't have expected to receive less than 10% of that amount. Mr W asked for his complaint to be reviewed.

## **my findings**

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

I do appreciate that Mr W will be disappointed that his retirement plan won't achieve what was illustrated to him when he started it, particularly as he will understandably have taken this into account when planning for his level of income in retirement. And I understand his point that he doesn't feel such a difference is reasonable, despite this pension amount not being guaranteed.

Mr W's plan operates on a with-profits basis. It's an annuity based pension made up of a guaranteed basic annuity and annual bonuses, together with final bonuses and underlying interest rates which aren't guaranteed.

Non-guaranteed final bonuses can be reduced at any point. The projections for Mr W's plan are based on an assumption of a return on the investment on the with-profits fund and the guaranteed and non-guaranteed bonuses Prudential may add. The actual bonuses applied will also be dependent on the performance of the with-profits fund over time. And it is a matter of commercial judgement on Prudential's part as to how it manages its with-profits fund and what level of bonus it applies.

I've considered Mr W's copy of his illustration together with the booklet explaining the plan.

And the booklet gives an illustration of the bonuses and sets out that *"It is emphasised that, whilst the bonuses assumed in this illustration are based on the rates most recently declared, no guarantee as to future bonuses can be given. Bonuses depend mainly on investment returns and are currently at an historically high level. It must be expected that in the event of a decline in the rate of inflation there will be a tendency for investment returns - and hence, in due course, bonuses - to be lower."*

And the copy of the illustration Mr W has provided from the time of the sale says *"It is emphasised that no guarantee as to future bonuses can be given – bonuses can go down as well as up....."*

So I don't think Mr W's retirement plan was mis-sold to him when the information he was given does say how the pension is made up and that there are elements of this that can't be guaranteed. However I appreciate that the projected values are now much less than they were in 1984, and that it was based on these that Mr W made his decision to take out this retirement plan.

But I don't think Prudential has acted unfairly or inappropriately when it illustrated the potential growth bonuses and income he might receive. This is because, as I've explained above, it did say future bonuses weren't guaranteed.

### **my final decision**

My decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr W to accept or reject my decision before 8 June 2019.

Cathy Bovan  
**ombudsman**