

complaint

Mr B complains that The Prudential Assurance Company Limited (Prudential) provided misleading information about the charges that applied to his pension plan. He said that the Additional Investment Charge (AIC) was initially shown as 0% but it's now 0.17%. Prudential says it hasn't been increased but simply presented differently. Mr B wants confirmation of what the charges actually are and compensation for the misleading information he's been given.

background

The background to this complaint, and my initial conclusions, were set out in my provisional decision dated 5 December 2019 – a copy of which is attached and forms part of this final decision.

In my provisional decision I explained why I thought this complaint should be upheld in part and invited both parties to send any additional comments or evidence they wished to make.

In summary I said that I didn't think Prudential had increased its charges on Mr B's pension and I accepted that it had simply changed the way it represented the Additional Investment Charge (AIC) on that particular fund. But I did think Prudential hadn't explained the change clearly and that the inaccurate information it provided did have some impact on Mr B which caused him some degree of distress and inconvenience.

I said that Prudential should pay Mr B £200 for that distress and inconvenience.

Prudential didn't add any further comments for me to consider and Mr B said he accepted the provisional decision. He did note that Prudential had conveyed the information about the change to financial advisers and suggested that if it had been transparent in advising all of its (relevant) customers then this situation wouldn't have arisen.

my findings

I've reconsidered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint. As neither party has provided any further information for me to consider, I see no reason to change the conclusions I came to in my provisional decision.

I note Mr B's comments about Prudential not providing information about the change to its customers. As I said in my provisional decision it was this lack of communication and clarity that I think caused him some distress and inconvenience – for which I've said he should be compensated.

But it isn't for this service to comment on Prudential's practices here or to tell it how it should communicate with its customers. That's a matter for Prudential to decide on going forward.

my final decision

For the same reasons I've already given in my provisional decision, I uphold Mr B's complaint against The Prudential Assurance Company Limited.

The Prudential Assurance Company Limited should pay Mr B £200.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 4 March 2020.

Keith Lawrence
ombudsman

copy of provisional decision

complaint

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background

Mr B transferred the benefits from his preserved Final Salary Pension Scheme to a pension plan with Prudential in February 2017. Mr B has confirmed that he was satisfied with the advice to transfer, the performance of the fund and the service provided by Prudential.

When Mr B transferred into the new plan the charges were disclosed as:

Yearly charge 0.65%
Product charge 0.30%
Additional investment Charge 0.00%

Prudential sent Mr B an annual benefit statement in February 2018. This disclosed the AIC as being 0%.

In March 2018 Prudential says it changed the way it recorded investment expenses in illustrations, including those for Mr B's underlying investment. From that point, illustrations and fund fact sheets would disclose a combination of the Annual Management Charge (AMC) and the AIC that applied to funds.

Between September and October 2018 – when looking at Prudential's website – Mr B noticed that in the fund fact sheet the AIC was showing as 0.17% and not nil, as previously disclosed by Prudential.

So Mr B complained to Prudential. He said he didn't think the charges that applied to his plan had been fully disclosed by Prudential and it seemed the charges were now higher than when he'd taken out his pension. In addition he complained that it had been difficult for him to register his complaint.

Prudential didn't uphold the complaint. It said it hadn't increased the charges on the pension - it had simply presented them differently (more transparently) as they'd always been included in the expected growth rates. It said there would be no monetary impact on Mr B as a result of what it called changes in the presentation of the charges.

But Mr B remained unhappy with this response so he brought his complaint to us. One of our adjudicators looked into the matter and thought that Prudential had not increased its charges during 2018 but had simply increased the transparency of the charging structure to more clearly illustrate the underlying charges within each fund.

He noted that Mr B had received his annual statement in February 2018 prior to the changes taking place in March 2018, but was able to see the separate AIC when he looked at the updated on-line information for his fund after that time. The adjudicator said the complaint should not be upheld.

Mr B didn't agree, making the following points in response:

- Prudential said it had combined its AMC and AIC expenses to show as one on its illustrations and fund fact sheets. But Mr B had always received annual statements which stated the total yearly charge as being 0.65%.

The statement he received in February 2019 said the total yearly charge was 0.82%. He believed this showed how Prudential had misled him over the change in its AIC.

- In the original illustration he received Mr B said the AIC was 0%. And he says there's no suggestion – until he raised his complaint – that the AIC hadn't remained at 0%. As we'd told him that Prudential hadn't increased its charges he'd had to assume that an AIC of 0.17% existed since the inception of his plan – despite it not being noted.

The adjudicator said he thought that the charges on Mr B's plan hadn't increased from 2018, but Prudential had increased the transparency of reporting its charges. He confirmed to Mr B that prior to March 2018, the 0.17% charge had been built into the unit price of the fund. But Mr B still disagreed as he felt that, if the charge of 0.17% had been built into the unit price, this was *"inaccurate disclosure and overcharging"*.

Mr B asked for his complaint to be referred to an ombudsman so it's been passed to me for a review.

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. And having done so, I intend to partially uphold Mr B's complaint.

Mr B has complained that an AIC which was shown as 0% in his original documentation has – following changes in the way Prudential presents its charges – become a charge of 0.17%. He says as it wasn't shown originally it must be a newly introduced additional expense, or if it was included elsewhere which he wasn't aware of he's been misled over the total charges applicable to the plan.

Prudential however says there hasn't been an increase to the plan's charges. It says it's listed this charge individually now instead of it being part of the unit price – which it always was. It says this is simply a question of being more transparent with its charges.

I've seen the information that Prudential sent to financial advisers in September 2018 which confirmed *"some updates to Prudential Retirement Account"*.

It went on to clarify that *"We've changed how we show investment expenses in our illustrations for any PruFund and With-Profits. The illustrations now show a combination of the Annual Management Charge (AMC) and the additional investment expenses that apply to our funds. There's no change to the overall returns customers have received and continue to receive as a result of this expense disclosure. The expenses have always been included in our ERG calculations for the PruFund range and With-Profit bonus rates this is a presentational change only."*

So I think Prudential did change the way it represented the charges and did try to explain this. But this information wasn't sent to Mr B, so I've looked very carefully at the information that was available to Mr B that enabled him to decide whether or not he was made aware of the AIC change.

I've looked at the fund factsheet from November 2017 which shows the fund charges to be an AMC of 0.65% with *"no further costs"*. And I've compared this with the factsheet from 2018 which noted the fund charges as an AMC of 0.65% with further costs of 0.17% giving a yearly total of 0.82%.

In addition I've looked at the annual statement Mr B received in February 2019. It set out investment charges including a yearly investment charge of 0.65% and AIC of 0.17% giving a total yearly investment charge of 0.82%. Whereas the statement from the previous year – a month before Prudential says it changed the presentation of the charges – referred to a yearly investment charge of 0.65% with no AIC, so a total of 0.65%.

So based on this information, I can understand why Mr B might assume that the total charges had been increased – with the addition of a 0.17% AIC.

Prudential hasn't been able to provide any evidence to show that this change was explained to Mr B in advance of its decision to "*improve the transparency*" of its charges. So it seems reasonable to me, in the absence of an explanation, that Mr B would assume that the AIC had increased by 0.17% and therefore that the total charges had increased by that amount.

Prudential says the charge was there all along and was reflected within the unit price. But based on the documents I've seen that isn't clear and it's not now practical to prove that by comparing the unit price before and after the changes, as other factors would also have affected the unit price. So I don't think Prudential has provided Mr B with accurate information about the charges applicable to his plan. It told him at the outset that the AIC was 0% - while it appears it should have said it was 0.17%, even though this had previously been contained within the unit price.

I've gone on to consider what I think Mr B would have done at the outset if he'd been aware that there was an AIC of 0.17% incorporated within the overall charge. And I think, on balance, that it was unlikely to have affected Mr B's decision to take out the plan. Prudential has made the point that the illustrated returns took into account all applicable charges, and Mr B was clearly happy with this or he wouldn't have started the plan to begin with.

Mr B's also confirmed he's happy with the fund performance and Prudential's service, along with receiving some additional benefit from being a Prudential staff member. So I think it's unlikely that, had the charges been set out more transparently to begin with, this would have changed his decision about the investment.

But I do think that it's reasonable to say that finding out he'd been given inaccurate information about the AIC has caused him some level of upset. The impact on Mr B is that he's still unsure about whether the charge has been recently introduced or just wasn't explained from the outset, and he's had to bring his complaint to us to try and obtain a definitive answer.

And from my reading of the complaint and the information provided by Prudential, I don't think it's been clear exactly how the AIC was applied.

I've also taken into account that Mr B said he'd found it difficult to contact the complaint team at Prudential and that Prudential has accepted that department's phone number isn't visible. So I think Prudential should pay Mr B £200 for the overall distress and inconvenience he's suffered here.

summary

Overall, whilst Prudential hasn't explained what's happened here particularly well, I don't think, on balance, that it has increased its charges by 0.17% on the fund. Prudential has been clear in saying that the charges have not been increased, and that the AIC has always been built into the unit price. I therefore think that it's reasonable to accept that the AIC isn't a new or increased charge. But I do think Mr B has been caused some upset here – and I don't think Prudential has explained the situation very well.

my provisional decision

I'm currently minded to uphold, in part, Mr B's complaint against The Prudential Assurance Company Limited.

My provisional decision is that The Prudential Assurance Company Limited should pay Mr B £200.

Keith Lawrence
ombudsman