

complaint

Mr C's complaint against The Prudential Assurance Company Limited is about the reduction in the value of his pension fund just prior to him taking his benefits. The value at retirement was substantially below the value he had been previously quoted. He considers that the value should not have fallen as it was guaranteed to be in a deposit account "...for the last 2 years of the annuity."

background

Mr C's complaint was investigated by one of our adjudicators. She issued her assessment of the complaint in August 2012 – a copy has been seen by both parties. The background and circumstances to the complaint were set out in the assessment. The adjudicator did not recommend that the complaint should be upheld, as in her opinion Prudential had made Mr C aware that the figures in the quotation were not guaranteed. The adjudicator also explained that the fall in the fund value was due to the performance of the underlying funds, and that the five year guarantee period applied to the annuity once that it was in payment, rather than the value of the fund itself. The adjudicator noted that although there had been a delay in sending the retirement forms when Mr C had indicated that he wanted to take his benefits from the M&G plans, Prudential had used the later figures as at 18 December 2008 as they were higher than the fund value at 27 November 2008 – when it ought to have processed the application. Therefore the adjudicator considered that the £100 Prudential had sent to Mr C in relation to this delay was an appropriate settlement.

Mr C did not agree with the adjudicator's conclusions. In a telephone call with the adjudicator and her manager he questioned the adjudicator's ability to deal with the complaint. He said that Prudential had acknowledged that it had 'messed up' and he considered that the £100 award was clearly not appropriate for the loss that he had suffered of £14,000.

my findings

I have considered all the available evidence and arguments to decide what is fair and reasonable in the circumstances of this complaint.

The value of the M&G fund that Mr C was invested in fluctuated in line with the price of the underlying units. The price of the units changed daily. So the quotation that Mr C received in April 2008 only provided an estimation of the value at retirement date. I note that on page 2 of the accompanying letter it explained:

"Please bear in mind these figures are not guaranteed. They are intended to give you an idea of what could be available at each date."

And the Personal Pension Projection stated:

"These figures are not guaranteed. What you will get back depends on how your investments grow."

You could get back more or less than this."

So I do not consider that the projections sent in April 2008 were guaranteed. They were estimates of what the value might be on the assumption that the funds would grow at 5% per annum up until retirement date.

Mr C has referred to the funds being guaranteed to be in a deposit account “...for the last 2 years of the annuity.” There are some pension plans that automatically switch the fund that has been built up into safer assets or deposit accounts as the individual approaches their retirement date. However the firm has confirmed that Mr C’s M&G plan did not have this feature, and this was not unusual for plans arranged at the time. As I have explained above, the value of the M&G fund fluctuated in line with the price of the underlying units. So the value of the fund when it was taken was dependent on the underlying price of the units at that time – it could have been higher, as well as lower, than the figures provided in the projection.

I appreciate that Mr C feels strongly about the matter. Mr C could have instructed the firm to switch his funds to safer assets at any point. However I have seen no persuasive evidence that his particular pension arrangement automatically provided for it. And I do not consider that the projection sent in April 2008 provided a guaranteed fund value. So I am satisfied that Mr C was entitled to the value of the underlying units at the date that he took the benefits. As the unit price had fallen since the April projection had been sent the value of the fund had fallen. Therefore although I understand that Mr C is very unhappy about this, my view is that the loss of £14,000 was not caused by an error by the firm – it was due to the fund’s underlying performance.

I note that Mr C is particularly concerned with the adjudicator’s view that the £100 offer was appropriate when he has lost over £14,000 – Prudential had already admitted that it had made an error. However the offer was for Prudential’s handling of the setting up of the annuity from the M&G plans when Mr C requested the relevant forms from it in November 2008. As it did not handle that request in a timely manner, it compared the values at 18 December 2008 (when it was processed), with the values at 27 November 2008 (the date that it ought to have been completed). As the later figures were more favorable to Mr C, it used those. However, this delay had caused Mr C a degree of distress and inconvenience, and the £100 offer was in this regard – it was not because Prudential accepted that it had made an error which had caused the £14,000 loss.

Overall, for the reasons explained above, I am not persuaded that the losses that Mr C has claimed were caused by an error by the firm. And I am satisfied that the payment of £100 was reasonable given that it was for the distress and inconvenience caused by the delay when Mr C requested forms to take benefits from the M&G plans in November 2008 – to confirm, it was not made to compensate him for the loss of the £14,000.

my final decision

Accordingly, my final decision is that I do not uphold Mr C’s complaint, in that I make no further award.

David Ashley
ombudsman