

complaint

Mrs P has complained that The Prudential Assurance Company Limited has overcharged administration fees from her personal pension.

background

The background to this complaint is set out in my provisional decision which is attached below.

I explained why I didn't intend to uphold the complaint. I said that I thought Prudential's offer of £350 was fair.

Mrs P responded and said that she didn't agree. She raised an issue from the time of sale of the plan. She also said that her policy has not been adjusted to take account of the overcharging and she has not had a statement since 2016.

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've considered what Mrs P has said in response to the provisional decision. I've explained that this complaint is about the charges applied to the policy and not about the sale of it. I've also asked that Prudential provide Mrs P with an up to date statement.

I'm satisfied that whilst Mrs P understood that the annual administration fees were the only deductions that would be made from her plan, that wasn't correct. There were also deductions for commission payments which Prudential was entitled to make. Whilst there may have been some lack of clarity about this, I'm satisfied that Prudential could make these charges in addition to the annual administration charge.

So I'm not minded to change the conclusions I reached in my provisional decision, and I confirm them here.

my final decision

I don't uphold this complaint. I consider the offer Prudential has made to be fair. It should pay Mrs P £350 if it hasn't already done so.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs P to accept or reject my decision before 30 April 2020.

Keith Taylor
ombudsman

extract from provisional decision

complaint

Mrs P has complained that Prudential has overcharged administration fees from her personal pension.

background

Mrs P has a personal pension plan with Prudential. She started the plan in 1995 through her employer. She left that employment in 1998 and her plan was made 'paid-up'.

Mrs P says she was told that an annual administration fee of £18 would apply to the pension. Mrs P became concerned that she was being overcharged. Prudential reviewed its charges and accepted that the administration fee hadn't always been correctly applied. It refunded the excess charges. It also offered Mrs P £350 for the distress caused by its errors.

Prudential also confirmed that in addition to the annual administration fee there were deductions for commission. Mrs P said that she hadn't been told about this. She said that had she known about these deductions she would have transferred her plan into a less expensive pension arrangement. Prudential clarified that the deductions for commission would still have applied even if the plan was transferred.

An investigator considered the complaint and decided that it should be upheld. He felt that Mrs P would probably have transferred her plan if she had been aware of the full extent of the deductions. He set out how Prudential should put things right.

Prudential didn't agree. It said that even with correct information, it was not likely that Mrs P would have transferred in 1998. The plan value was then £2,838.07 but the transfer value was only £1,919.17 due to the impact of the commission that would have been payable. Prudential didn't think Mrs P would have given up almost one third of the value of her pension. It said that she may also have had to pay set up charges and advice fees for a new plan.

Prudential also carried out the calculation the investigator had recommended but this didn't show any loss. The current plan value was more than the notional value if the plan had been transferred.

The investigator told Mrs P about this calculation but she didn't agree. She felt that she had been overcharged and suffered a financial loss.

As no agreement has been reached the case has been referred to me for a decision.

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. Having done so, I've reached a different conclusion to the investigator. I don't uphold this complaint as I think the offer Prudential has made is fair in all the circumstances.

Prudential has accepted that it made some errors in applying administration fees to the pension plan. But I'm satisfied that it has corrected those errors.

Mrs P understood that these administration fees were the only deductions that would be made but that wasn't correct. There were also deductions for commission payments. Mrs P says that had she known of the full extent of the deductions she would have transferred the pension plan and found a less expensive option.

Having considered the evidence, I'm not satisfied that Mrs P would have chosen to transfer even if she had been fully informed about the deductions. That's because the commission payments would have to be deducted for the full life of the plan even if it was transferred. Prudential has explained that in 1998 this would have reduced the pension value from £2,838.07 to £1,919.17. This is a very substantial reduction in my view and may have dissuaded Mrs P from transferring. And also, in 1998 there would not have been any obvious low cost pension alternative for Mrs P. For example, a stakeholder pension wouldn't have been available as these weren't introduced until April 2001.

So I'm not satisfied that Mrs P would have transferred her pension if she had been in a fully informed position. And, even if she had, I doubt that she would be better off. The investigator said that Prudential should calculate any loss by taking the transfer value from April 1998, and calculate notional growth by using a benchmark of the FTSE UK Private Investors Income Total Return Index for half of the investment and applying the average rate from fixed rate bonds to the other half. The notional value could then be compared to the actual value.

Prudential made this calculation but it showed no loss. The actual value was higher than the notional value.

Mrs P didn't agree that she had suffered no loss. I can understand her point. Deductions have been made from her pension plan that she didn't expect. In that sense she has been 'overcharged' but I'm satisfied that the deductions that were made were correctly applied. There may have been a lack of information at times about the full extent of charges and deductions, but the charges that have been made are correct. So Mrs P hasn't actually been overcharged.

So for these reasons, I'm not currently minded to uphold this complaint. I think the offer Prudential has made is fair.

my provisional decision

I don't intend to uphold this complaint. Prudential should pay Mrs P £350 if it hasn't already done so.