

complaint

Mr C has complained to The Prudential Assurance Company Limited about the performance of his personal pension plan (PPP). He's unhappy because he invested £600 in 1988 but he only received £573.47 when took his benefits as a lump sum in September 2015.

background

Mr C took out his personal pension policy with Prudential (formerly M & G) in 1998. He contributed £50 per month for short period, before the plan was made paid up in 1989. Mr C paid a total of £600 in contributions to the plan.

Mr C complained to Prudential on 20 July 2015. He said he was unhappy with the poor performance of his plan. He felt this was due to high charges or bad fund management. He also asked Prudential to send him the paperwork so he could take the benefits of his plan as a lump sum.

Prudential issued its final response to the complaint in September 2015. It explained that charges had a major impact on the value of the fund. And it said Mr C had complained about the performance of his plan in the past. It enclosed copies of letters that it had issued previously addressing this issue.

Mr C again requested that Prudential send him the paperwork so he could cash in his plan. Prudential sent the relevant forms. At this time, the policy was worth £674.47. Mr C asked for this to be taken as a cash lump sum. 25% of this was tax free. After tax of £101, Mr C received a payment of £573.47.

Mr C has bought the complaint to us as he remains unhappy with Prudential's explanation regarding the performance of his plan and the final fund value he received.

After reviewing the complaint, the adjudicator explained to Mr C that he was unable to uphold it. In summary he said:

- Prudential would've incurred costs at the outset of the policy. The charges were intended to recover these costs
- A pension policy is a long term contract to save for an income in retirement. In return for continuous contributions, the business commits to provide an investment fund to buy a pension at retirement
- Even though contributions stopped, the charges didn't, so investment growth has been offset by the effect of the charges
- The policy has been affected by investment performance. Benefits are not guaranteed. They are dependent on the performance of the underlying investments. And investments haven't performed as it was expected when the plan was taken out. And Prudential couldn't reasonably have foreseen this.

Mr C disagreed with the adjudicator and requested the complaint be reviewed by an ombudsman. In summary he's said:

- His intention was to maintain contributions long term. He had no idea that he would leave his employer and he didn't know that you couldn't contribute to a personal pension as well as an employer's pension scheme.

- When he took out the policy in 1988, at the end of that year, the FTSE 100 index was at 1772 and it is now at 6103. It was 6947 when he switched into the cash fund in March 2015.
- If his fund had grown at the rate projected, it would be worth about £10,000.
- He accepts that projections were made at a time where markets were performing better than they are now. But even at half of the 11%, the fund should now be worth around £2,500. This is what he expects from the policy now.

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 acknowledge that it wasn't envisaged that shortly after Mr C took out this plan, he would change employers and join the new company's pension scheme. And although Mr C may not have been made aware during the sale that he couldn't contribute to his PPP and his employers in-house arrangement at the same time, I don't think Prudential was responsible for explaining this. Mr C's plan was sold by an adviser. And it was the adviser's responsibility for explaining the facts of the plan to him.

Mr C is unhappy with the performance of his fund and he believes the low fund value must be due to unreasonable charges or fund mis-management. But I don't agree.

Mr C has said that if the fund had performed even at half that expected, it should've been worth in excess of £2,500. However, the projections used when the plan was taken out assumed that he would pay more into the pension than he actually did. And the growth rates used in those projections were standard figures provided by the industry regulator – these were the rates Prudential had to use.

I understand why Mr C is now disappointed because he expected his fund to be worth more. Unfortunately investment returns haven't been as good as expected when he took the plan out. This has turned out to be the case for a number of firms and investments. But it doesn't mean Prudential was at fault – there was no guarantee of performance. And I'm not aware of the industry regulator, the Financial Conduct Authority, having any concerns about Prudential's fund management.

In addition, the pension was a long term contract under which it was intended that contributions be maintained for the full term. In the initial stages of the policy, the units purchased had a higher management charge. Whilst this charge would've reduced over time for new units purchased, had contributions to the plan continued, all the units in Mr C's fund attracted this higher annual charge. And the charges continued even though contributions to the plan stopped. This led to the erosion of the fund value to the extent that Mr C received less than he paid into the plan, when he took his benefits.

It's clearly disappointing that the fund hasn't performed as expected and that it's been reduced by the charges. But I've not seen anything to suggest that the fund has been mis-managed or that these charges were applied incorrectly. So I'm unable to uphold this complaint.

Prudential has acknowledged that there was a delay in it sending the forms to Mr C so he could take the benefits of his plan as a lump sum. So it has offered to pay Mr C £150 in full and final settlement of his complaint. It's up to Mr C whether he wishes to accept this or not.

my final decision

I don't uphold Mr C's complaint against The Prudential Assurance Company Limited. Should Mr C wish to accept Prudential's offer, he should contact it directly.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C to accept or reject my decision before 29 April 2016.

Lorna Goulding
ombudsman