

## **complaint**

Ms S is unhappy that The Prudential Assurance Company Limited (Prudential) failed to contract her out of the State Second Pension Scheme (S2P) between 2010 and 2012.

## **background**

In 2010 Ms S requested that Prudential arrange that she be contracted out of S2P, and for her to receive rebates into her personal pension plan. Following an audit in 2014 it was discovered that Prudential had failed to contract her out. The error happened when they transferred Ms S's employer's Group Personal Pension Plan onto a new computer system. As a result Ms S remained contracted into S2P. This was for the period from 6 April 2010 to 5 April 2012.

Prudential discovered its error and contacted Ms S to let her know. They also informed her that they had carried out a number of specimen calculations and these showed that she had not been financially disadvantaged by its error.

Ms S was dissatisfied with the information and detail provided, and a complaint was made to this service.

Following a further exchange of communications, Prudential carried out a calculation based on Ms S's specific facts and this also showed that no loss had arisen following its error.

The adjudicator did not uphold the complaint because:

- He was satisfied the methodology used in the calculation by Prudential was fair. They had used the 'Pension Review' methodology and he considered this to be a fair way to review Ms S's position, and
- The Financial Ombudsman Service will consider whether a methodology is appropriate and suitable, including assumptions but would not usually review an actuarial calculation.

Ms S did not agree with the adjudicator and questioned some of the assumptions used by the calculation, specifically in regards to her marital status and the fact she had lived abroad for a considerable amount of time.

Further information was sought and provided. However this did not change the view of the adjudicator. He considered that the assumptions made in assessment were set out and were reasonable. It was noted that the fact Ms S had spent time living abroad prior to 2010 had no effect on the assumptions made, and the methodology used sets out how to allow for marital status.

As it was not possible to resolve the complaint it has been referred to me for a final decision on the matter.

Ms S has reiterated that she feels the time she spent abroad should impact the calculation as it was the main reason she decided to opt out of S2P in the first place. Ms S provided this service with details of her history. She also pointed out that the changes in pension legislation due in April 2015 meant it was unlikely she will purchase an annuity when she retires.

## **my findings**

I have considered all the material provided in coming to my decision.

I appreciate Ms S has felt frustrated in this matter – especially in regards to wanting more detail. However I do not consider the actions undertaken by the Prudential once they discovered their error were unreasonable.

Prudential has agreed that it failed to contract out Ms S for the two years from 6 April 2010. It then arranged to carry out a loss calculation using the methodology set down by the regulator for the industrywide pension review. The Prudential used the latest assumptions that have been published by the Financial Ombudsman Service on its website.

The calculation compared the value of the benefits that would have been accrued in a rebate only personal pension plan (had one been set up for Ms S) with the value of the benefits that Ms S would have accrued in the S2P arrangement. This indicated that there was no loss. That is the value of the S2P benefits based on the assumptions used by the regulator was greater than the value of the benefits in the Group Personal Pension.

It is correct that under the S2P arrangement a spouse's pension must be provided to any spouse at the date of death of the member.

The pension review methodology places different values on the potential spouse's pension depending on the sex of the individual, the term to retirement and whether the individual is married or unmarried at the date of the calculation. The probabilities that marital status changes are all set down by the regulator and I have no doubt that Prudential will have used these assumptions when valuing the benefits under S2P.

Prudential also used salary information supplied by the Inland Revenue in its calculations.

Whilst I note that Ms S has stated that she has worked overseas in the past Prudential has confirmed this did not change the position and Ms S had suffered no loss.

I understand Ms S's point about the recent changes in legislation that allow benefits to be taken as a cash sum. This was not possible at the time of the offer and does not impact on the redress calculation.

## **my final decision**

I do not uphold this complaint against The Prudential Assurance Company Limited and I make no award.

Under the rules of the Financial Ombudsman Service, I am required to ask Ms S to accept or reject my decision before 22 June 2015.

Louise Wilson  
ombudsman