

complaint

Mr N complains that his pension with The Prudential Assurance Company Limited was worth less than he was advised it was going to be when he reached age 65 and took a lump sum and transferred the balance into a retirement fund.

background

Mr N has been saving into a pension with The Prudential for a number of years. He'd always intended to take the pension when he reached age 65 – which was in March this year – even though he wasn't planning to stop his self-employed work just yet. His pension gave him a guaranteed income from that age. But he decided not to take that. Instead he took his tax-free lump sum and left the rest invested – which meant it had to be transferred to a new plan, though still with The Prudential.

Mr N met with an adviser from The Prudential to start the process. The adviser discussed his requirements and recommended a product to him. The adviser produced an illustration showing the transfer amount of his pension was just over £150,000. However, when the transaction completed it had fallen to just under £140,000. Mr N doesn't complain about the advice he received to invest. But he's not happy that the fund was worth less than he was led to believe it was.

The Prudential said that Mr N's pension was invested in a with profits fund which re-invested periodic bonuses. It said that it calculated the transfer value when Mr N's transfer went through based on a number of factors, including changes in the wider markets over time.

Our investigator didn't think that The Prudential had acted unfairly. He said that the illustration Mr N was given wasn't guaranteed and The Prudential had calculated the actual figure at the time of payment of the lump sum and transfer of the balance. Mr N asked for an ombudsman to look at his case. He said he didn't think the drop in value was right when looking at the historic performance of the fund – and if it was, the adviser should have warned him before he went ahead.

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 can understand Mr N's concern and frustration that his pension was worth around £10,000 less than he thought it would be. I've looked at the advice and illustration he was given in March 2017. He was told his transfer value was estimated at £150,000.

But earlier that month The Prudential had given Mr N another illustration – and this said that the transfer value of his pension fund was expected to be just under £140,000 in April 2017, as it turned out to be.

I accept what The Prudential says about how it calculated the final value of Mr N's pension. It changes the basis of how it calculates fund value and bonuses periodically – which may result in transfer values increasing or decreasing. This is part of how Mr N's pension worked. One of these re-calculations happened at the beginning of April – before Mr N transferred his pension, but after he was given the advice.

It's unfortunate that the suitability report and second illustration quoted different values to the first illustration. But neither illustration was a guaranteed figure – both were projections. They were given at different times and so some variation is to be expected. And both were produced before the April changes.

I've already said that there's nothing to suggest The Prudential got the final calculation wrong – so it wouldn't be fair to require it to give Mr N more than his pension was actually worth.

And I don't think the fact that The Prudential gave Mr N differing illustrations of the value of his pension ultimately made any difference. His plan was always to take the lump sum – which he was going to use for specific purposes – when he reached 65. That's what he did. He hasn't suggested he wouldn't have done so if he'd understood that it was worth the lower figure. In fact, he went ahead after being given the first illustration of £140,000, which turned out to be broadly correct. So while the second illustration projected a higher figure, it didn't change the amount of the lump sum or transfer Mr N was always entitled to once the final calculation was made in April, and it didn't change what he'd already decided to do.

my final decision

For the reasons I've given, my final decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr N to accept or reject my decision before 17 August 2017.

Simon Pugh
ombudsman