

complaint

Mr A's complaint is that The Prudential Assurance Company Limited ("Prudential") provided him with single life annuities rather than joint life as he is married. He also feels that he shouldn't have been sold three separate pension plans.

background

Mr A had three pension policies with Prudential.

The first policy was taken out in March 1973. It was a Retirement Annuity Contract (RAC) which could not be topped up before 1978. A second RAC was set up in April 1977 to enable Mr A to increase his pension contributions. A third RAC started in March 1980.

In 1993, as Mr A approached retirement age, Prudential sent him quotation forms for the two pension plans that he took out in the 1970's. Both quotations detailed several income options, including on a single and a joint life basis.

Mr A completed the forms in December 1993 with the joint life option crossed out. Mr A's benefits included a tax free cash lump sum and an annual level pension paid monthly in advance for his lifetime only (but guaranteed to be paid for a minimum of ten years). The annuity conversion rates used within these quotes were the same.

A similar quotation form was issued to Mr A in February 1998 – for his third plan. A number of single life options were listed. However it did not provide actual figures for a joint life annuity. It did say that:

"Section 1 overleaf shows only the various pensions payable throughout your lifetime. If you wish to consider the other types of pension available please complete the appropriate sub-section below and return this form as soon as possible.

i) Dependant's pension.

Please send me a quotation for a pension payable during my lifetime and continuing after my death for the remaining lifetime of...

(quotations will be given for a pension which remains the same on your death, and for pensions which reduce by one third and by one half on your death)."

In addition, section 5 confirmed that:

i) Please take care to ensure that this form is fully and accurately completed as you cannot change the type of pension payable once selection has been made."

Mr A selected the single life option which consisted of a tax-free cash sum and an income payable monthly in advance for 10 years and through Mr A's lifetime thereafter.

Mr A's daughter (Miss A) complained to Prudential in September 2014 on Mr A's behalf. They believed that the annuities had been mis-sold. They also did not think that Mr A should have been sold three pension policies in the first place.

Prudential responded in October 2014. It said, in summary:

- The annuity forms showed that Mr A had selected a single life pension which would have given him a higher annual income with a guaranteed payment period.
- A joint life annuity would have provided a lower income; this option was detailed on the annuity form but Mr A selected the single life option.
- It could not verify why a third policy had been set up for Mr A when his second plan could have been increased. It said additional charges incurred as a result of having the third plan amounted to approximately £66.
- It was therefore willing to offer Mr A £250 as an ex-gratia payment.

Miss A referred the matter to us and one of our adjudicators investigated the complaint. The adjudicator considered the issues, but did not recommend that the complaint should be upheld. In summary the adjudicator said:

- Joint life annuities were not automatically provided purely because a policyholder was married.
- Prudential had provided Mr A with details of the options available.
- The annuity forms signed in December 1993 detailed options for a joint life annuity.
- The February 1998 annuity forms gave the option to request additional quotations to provide a spouse's pension (joint life annuity).
- It was Mr A's responsibility to select which option best suited his situation or to obtain financial advice if he wished to discuss the options further.
- Mr A signed and agreed to buy a single life annuity.
- There was no documentation suggesting advice had been given by Prudential.
- Mr A had not been disadvantaged by having the first two pensions as separate plans. His first policy could not be topped up at that time. So a second policy was taken out to allow additional pension contributions – and no additional charges were incurred.
- As both policies had the same annuity rates applied, having two plans did not have an impact on the income taken.
- Prudential's offer to pay Mr A £250 (to reimburse the additional initial policy fee of £66 for the third policy) was fair and reasonable.

Miss A did not agree with the adjudicator's findings and therefore the complaint was referred to me to determine.

my findings

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

Clearly I understand the concerns of Mr A and his family that the annuities do not provide spouses' pensions. But the fact that Mr A is married does not mean that the options that were selected were unsuitable.

The single life pensions pay a higher income. And Mr A opted to have 10 year guarantee periods. So this in itself provided some protection and ensured that the income over at least that ten year period was higher than if a spouse's pension had been chosen. To date two

annuities have been paid for over 20 years, and the third for over 15 years. So they have provided a materially higher income over that time.

I am bound to consider the matter in light of the obligations on Prudential at the time that the annuities were arranged. And having done so, I have seen no persuasive evidence that it did anything wrong.

It appears to have provided Mr A with enough information to have alerted him that he could have selected an annuity with a spouse's pension. And for the reasons outlined above, there were advantages in terms of the amount of income paid by selecting a single life pension. It wasn't the case that a single life pension was a clearly inappropriate option. And I note that Miss A has questioned whether Mr A's smoking would have enabled him to obtain an enhanced annuity rate. However Prudential has confirmed that it did not offer smoker's annuity rates at that time.

Mr A has queried why he had three separate pensions. However, as he wanted to increase his pension contributions, and it was not possible to increase the amount paid on the first plan, I am satisfied that a second plan was appropriate.

Prudential has said that it cannot establish why a third policy was set up when Mr A could have increased contributions to his second policy. But it has said in view of this it will pay Mr A £250 to cover the initial policy fee of £66 that would otherwise not have been payable. In the circumstances, I consider this a fair and reasonable offer.

my final decision

I am aware that The Prudential Assurance Company Limited has made an offer to pay £250 to Mr A. I conclude that such an offer is fair and reasonable in all the circumstances. My final decision is that The Prudential Assurance Company Limited should pay Mr A £250.

Under the rules of the Financial Ombudsman Service, I am required to ask Mr A to accept or reject my decision before 23 July 2015.

David Ashley
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