

complaint

Mr B complained because the transfer value of two private pensions he holds with The Prudential Assurance Company Limited dropped significantly in a few weeks.

background

Mr B has two with-profits personal pension plans with Prudential which are designed to pay him a yearly pension upon retirement (rather than building up a fund value that's later used to buy a pension). Mr B has received various transfer values of the pensions over the last year:

Date	Pension A	Pension B	Total
31 October	£62,055.36	£85,052.72	£147,108.08
4 January	£73,290.97	£103,437.71	£176,728.68
20 January	£73,101.69	£103,169.72	£176,271.41
1 February	£73,596.90	£103,862.12	£177,459.02
29 March	£73,710.96	£104,019.36	£177,730.32
11 April	£69,050.69	£78,663.14	£147,713.83

I don't have the figures, but I believe (based on Prudential's letter to Mr B dated 11 April 2017) that Mr B also received a transfer value on 23 March which showed a reduced value, and this is what triggered the complaint.

Prudential told Mr B that the reduced figures reflected the recent performance of its with-profits fund and current market conditions. It also said that the values provided based on a retirement date before 1 April were based on previous bonus rates applicable to the policy.

Our investigator didn't think the complaint should be upheld. She agreed that the transfer values fell. But she thought Prudential had explained why that happened. Mr B disagreed with our investigator. He remained unhappy that the transfer value had dropped so much and he didn't feel he had gotten answers that he wanted.

my findings

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

It is clear from the above table that the transfer values of the two pensions were around £147,000 in October and then spiked to around £177,000 in the beginning of 2017 before falling back down to around £148,000 in April. I think it's important to point out though that the changes in transfer value didn't have any effect on the yearly pension Mr B would receive – that was guaranteed.

Mr B's pensions are with-profits deferred annuity contracts. The transfer values represent the policies' share of the assets in the with-profits fund. The transfer value of each pension is calculated by multiplying the yearly annuity by a factor (ie a rate) which reflects life expectancy in retirement and the interest rates expected to be received after retirement. In this case, Prudential has told us that the drop in transfer values was mainly due to a change in the factor that converts the yearly annuity into a transfer value. To a lesser extent, there was also a change in non-guaranteed bonus rates (a non-guaranteed bonus is an end bonus added to the pension at Prudential's discretion). But as they're not guaranteed they

can be included in one quote and then reduced in a later quote – if Prudential decides the with-profits fund can no longer support such a high bonus.

Prudential has explained to me that the factor has varied considerably between October and April. It further explained that this was mainly due to the volatility of market conditions in 2016, due to such things as the result of the EU referendum.

To put Mr B's mind at rest, I have compared the factors Prudential applied with those that were available on the open market. Whilst each insurer will have a different factor based on their own research, information and commercial decision, I can confirm that Prudential's factors aren't significantly out of line with what was generally available on the market at the time. I'm satisfied that they fall within the wide discretion Prudential has when deciding on what factors to use.

So, with all the above in mind, I'm satisfied that the reduction in transfer value wasn't a result of Prudential treating Mr B unfairly. It was simply as a result of the factor and non-guaranteed bonus changing, and was something Prudential applied across the board – not just to Mr B.

In closing, I do appreciate that Mr B might be concerned that he didn't know the reductions were going to happen. But Prudential's actuaries regularly review what bonuses the with-profits fund can support and what the appropriate factors are to convert a pension in to a transfer value. And until Prudential actually implements a recommendation that the actuaries have made, no one else will have advance knowledge of what the change is going to be.

my final decision

I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 22 September 2017.

Paul Daniel
ombudsman