

## **complaint**

Mr H has complained about the advice he received from The Prudential Assurance Company Limited to take out a Free Standing Additional Voluntary Contributions (FSAVC) plan.

Mr H is represented by a third party. For ease of reading, I'll refer to all submissions as made by Mr H.

## **background**

Mr H met with one of Prudential's advisers in 1990. At the time, he was 26 years old and earned £12,000 working for the Royal Air Force (RAF). He'd been a member of the Armed Forces Pension scheme (AFPS 75) since he was 19 and expected to work for the RAF until he turned 55, which was the standard retirement age in the RAF.

Prudential's adviser recommended Mr H take out a FSAVC plan to top up his benefits at retirement. Mr H contributed £30 a month until he stopped contributions in 2006, when he left the RAF – he didn't increase this amount at any point.

Mr H's representative complained to Prudential in 2017 about its advice. Prudential upheld his complaint, agreeing Mr H wasn't given clear enough information about his employer's in-house options. To put things right, Prudential offered to pay Mr H the difference between the value of his FSAVC minus a windfall bonus and the annual management and member charges applied to the plan.

Mr H didn't think Prudential's offer of compensation was fair so he referred his complaint to our service through a third party. Mr H had concerns about how Prudential had calculated its offer. He also said he would have bought up to two added years from the AFPS 75 had Prudential given him clearer information when it advised him to take out the FSAVC. Mr H also pointed out that his employer didn't offer a money-purchase AVC scheme.

One of our investigators looked into Mr H's complaint but didn't uphold it. He didn't think Mr H would have bought added years from his employer's scheme because:

- It's likely the FSAVC option would have looked more attractive as it was expected to grow more than the benefits added years would provide.
- The FSAVC offered the flexibility to stop making payments. Mr H took advantage of this when he stopped making payments in 2006, over ten years before he reached his expected retirement age.
- There was nothing to suggest Mr H was unable to take any risk, so he wasn't persuaded Mr H would have taken the added years option on this basis.

Mr M disagreed with our investigator's opinion so this has come to me for a decision.

## **my findings**

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

Prudential has accepted that it didn't give Mr H enough information about his in-house options during the sale of the FSAVC plan. So all that's left for me to decide is whether this

would have made a difference. In other words, do I think that Mr H would have bought added years rather than taking the FSAVC plan, if he'd been given all the information. Having reviewed everything carefully, I don't think he would have done.

It's with the benefit of hindsight that we know it's possible Mr H might have been better off buying added years instead of contributing to his FSAVC. But I can't use hindsight when making my decision. We now know investment returns achieved were much lower than expected. But at the time Mr H took out his FSAVC, it's likely it was projected to provide greater benefits than contributing to a defined benefit AVC scheme.

The scheme information I've seen suggests that at the age of 19, Mr H would have only been able to purchase one added year in the AFPS 75. It's likely he could have afforded to buy this year, based on his salary at the time of the sale, and it would have been less than he contributed to his FSAVC. However, I don't think it's likely Mr H would have considered this to be the more cost effective option compared to the projected benefits of his FSAVC. .

In addition, Mr H's FSAVC offered him greater flexibility than buying the added year. If he had bought the added year, he would have had to give up a set percentage of his salary until retirement, and his contributions would have increased in line with his salary over the years. But Mr H never increased his contributions to his FSAVC. So this suggests to me that he wasn't willing to pay more than £30 per month into the plan. And looking at the representative salaries for Mr H's role, buying the one year would have meant that he would have needed to pay more than this as his salary increased. So I think it's unlikely that in 1990, Mr H would have chosen to purchase the added year and commit to increasing his contributions until retirement.

Taking all the available evidence into account, I'm not persuaded the FSAVC was unsuitable for Mr H – or that he would have purchased the added year from the AFPS 75 if he'd been given sufficient information during the sale. .

But Prudential offered to refund the annual member and management charges applied to Mr H's FSAVC – and it's increased its offer since this complaint was referred to our service. I understand Mr H's representative has concerns about how the calculation has been carried out. But the only in-house option for Mr H was added years and given that I don't think he would have done taken this option, and I've determined the FSAVC wasn't unsuitable, I don't think there's any basis for me to ask Prudential to pay additional compensation.

### **my final decision**

I uphold this complaint and require The Prudential Assurance Company Limited to do what I've said above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H to accept or reject my decision before 8 September 2019.

Vicki Blackwood  
**ombudsman**