

## **complaint**

Mrs A has complained about information that The Prudential Assurance Company Limited gave her when she set up her Teacher's Additional Voluntary Contribution (TAVC) plans. She says that when she enquired about purchasing added years, she was told by the Prudential representative that she would need a lump sum of £20,000.

Mrs A has appointed her husband to deal with her complaint but for ease of reading the decision, I'll refer to all representations as being made by Mrs A.

## **Background**

Mrs A met with a representative from Prudential in 1995. At that time she was 31 years old, employed as a Teacher and had just become a member of the Teachers' Pension Scheme (TPS). On the advice of the representative Mrs A took out a TAVC plan and she contributed 2.5% of her salary.

Mrs A met with a representative from Prudential again in 2000 and arranged for the contributions to her plans to be increased from 2.5% to 9%.

In 2017 Mrs A complained to Prudential about the advice she was given. She said that in 2000, when she met with the representative, she enquired about purchasing added years in the TPS. But she says the representative said that she'd need a lump sum of £20,000 to do this. She says she wasn't told that there was the possibility to purchase added years on a monthly basis.

Prudential reviewed the complaint but it didn't think it had done anything wrong. It said that it took all the required steps to make Mrs A aware of the option of added years in 1995, and in 2000.

Mrs A was unhappy with Prudential's response so she referred the matter to this service for independent review. One of our adjudicators reviewed the complaint and he concluded that Prudential hadn't done anything wrong.

Mrs A didn't agree with the adjudicator. In summary she's said that the representative didn't provide information regarding the added years option and she was told that she would need a lump sum to purchase added years. In addition she's said that the representative was biased and didn't encourage Mrs S to explore other options with the TPS. Had Mrs A been aware that she could've purchased added years on a monthly basis, she would've opted for this, rather than contributing to the TAVC plan.

## **my findings**

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint. Having done so, I'm not upholding the complaint. I'll explain why.

I think it's very likely that when Mrs A joined the TPS she was provided with a scheme booklet either by her employer or the scheme administrators. This booklet would've explained the various options she had for paying extra contributions to increase her pension provision – including the option of buying added years. So I think, on balance, Mrs A had most likely been provided with information regarding the added years option, even before she met with the Prudential sales representative in 1995. But in case Mrs A didn't receive a booklet when she joined the TPS, I've also thought about what she was told during the sales meetings.

The Prudential sales representative was only authorised to provide advice on Prudential products; he couldn't have advised Mrs A on the added years option. All the representative had to do was make Mrs A aware that added years were an alternative option and refer her to the TPS booklet for further information.

### Initial sale in 1995

I've firstly considered the sales paperwork from 1995. There's a section on the TAVC plan application form which asks if the applicant is currently paying additional contributions to the TPS, and one of the options that can be ticked is for added years. This section of the form has been crossed through and marked as 'n/a'. But I don't think this necessarily suggests that added years weren't discussed. As far as I'm aware Mrs A wasn't making any additional contributions to the TPS when she met with the adviser. So I don't think it's unreasonable for this part of the form to have been crossed through as there was no information that needed to be provided in this section.

And although the evidence is inconclusive about what was discussed, I do think there were a number of opportunities for Mrs A to have become aware of the added years option. So I'm not satisfied that I should conclude she most likely wasn't told or didn't know about this option in 1995.

However, in the event that Mrs A wasn't aware of this option in 1995, I've thought about whether she would've most likely opted for added years, rather than the TAVC policy, if Prudential had definitely discussed this with her. For the reasons set out below, I don't think I can say that she would've chosen added years in 1995 rather than taking out the TAVC policy.

The cost of added years of service in the TPS was determined by the Government Actuary using conservative assumptions of likely future investment experience. This made them more expensive than if a less conservative (or more optimistic) set of assumptions had been used. The aim was to make sure, as far as possible, that the cost of added years would be met by the members. The intention was that this would mean there would be no shortfall that would have to be picked up by the employer.

If Mrs A had paid for added years she would've had to give up a set percentage of her salary. The amount she paid would've increased as her pay increased over the years. And the information I've seen suggest that to receive the maximum benefit under the TPS, Mrs A

would have needed to purchase around 11 added years. This would've cost around 1% of her salary for each year, so 11% of her salary in total. However, I don't think Mrs A would have wanted to commit to this option.

I say this because I'm conscious that Mrs A could've contributed up to 9% of her salary into the TAVC plan, yet in 1995 she opted to start on contributions of 2.5%. And the fact find suggests that the adviser made a recommendation for Mrs A start a savings plan but that this wasn't taken up as it wasn't affordable at that time. And there is no evidence from the time that she was unwilling to take any investment risks.

On realistic assumptions of future investment experience at the time of the advice it would probably have been shown that the projected benefits from the TAVC would be greater than the projected added years benefits. So it's difficult to say now that Mrs A would definitely have considered it the cost effective or affordable option, when compared with the projected benefits available from investing in the TAVC plan.

It's only now, with the benefit of hindsight, that we know that Mrs A might have been better off with the added years. And a major factor in this is that the investment returns achieved have been much lower than expected. But that wasn't anticipated at the time and I can't use hindsight to make my decision.

#### Top up to TAVC plan in 2000

The crux of Mrs A's complaint is that in 2000 when she enquired about added years with the representative, she was told that she could only purchase added years with a £20,000 lump sum; she says she wasn't told about the option to buy added years monthly.

The nature of this complaint demonstrates that Mrs A was aware before she met with the adviser at this time that she was aware of added years as an alternative option to contributing to a TAVC plan.

Of course, I can't know now what Mrs A was told by the Prudential representative back in 2000 – and in particular, whether she had the added years option correctly explained to her. There is no evidence from the time about this particular conversation.

However, I'm conscious that Mrs A has signed a declaration on the TAVC application form in 2000 confirming that she'd "been made aware of the booklet entitled 'A Guide to the Teachers' Pension Scheme' with regard to the added years option". I think by signing this declaration, Mrs A was confirming that she was aware of the scheme booklet, which provided a full explanation of how added years could be purchased, either by lump sum or monthly contributions.

So on balance, even if Mrs A didn't receive the scheme booklet when she joined the TPS, it seems that Prudential made her aware that this booklet existed and that added years were an alternative option in 2000. And if she didn't have a booklet, Mrs A might reasonably have asked for one at that time before signing the declaration to confirm she was aware of its existence.

The adviser couldn't have given advice on the suitability of added years and was only required to explain that these were an alternative option and make Mrs A aware of where she could find further information. I think Prudential did this and so it was for Mrs A to decide if added years were an option that she wished to explore further. If so, it was for her to take this forward; Prudential couldn't have arranged or advised on the suitability of added years.

Given the above, I can't say that Prudential has done anything wrong so I'm not upholding the complaint.

**my final decision**

My final decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs A to accept or reject my decision before 28 July 2018.

Lorna Goulding  
**ombudsman**