

complaint

Mr D complains about the transfer values he was given by The Prudential Assurance Company Limited for his pension.

background

Mr D had a personal retirement plan with Prudential. He was interested in a lump sum payment, rather than an annuity. In March 2017 he contacted Prudential to find out what the transfer value of his pension would be.

Prudential wrote to him on 16 March 2017. It explained that his pension was an annuity based pension as opposed to one that provided a fund with which an income was purchased. It explained how the policy benefits were calculated. It went on to say that transfer values were calculated by converting the total annuity benefits into an equivalent lump sum. And the transfer value reflected the policy. This was done in accordance with its annuity rates applicable at the time of calculation. It also said that the transfer value at the date of writing to him was £37,204. And that transfer values weren't guaranteed. The transfer value could go up or down if it was revalued in the future.

Three weeks later, when he'd decided to cash in his pension, he made contact again and was told the transfer value was about £31,000. Mr D is unhappy Prudential reduced his pension transfer value by so much in such a short period of time.

Prudential said the figures Mr D had been given were correct at the times they were provided. It explained that Mr D's plan was annuity based, not fund based. This meant that at retirement the pension transfer value would be made up of some elements which would be guaranteed (the basic annuity and annual bonuses) and some which wouldn't be guaranteed (non-guaranteed bonuses). It also explained transfer values are influenced by factors such as mortality and interest rates. And the transfer value represented the policy's share of the underlying assets in the with-profits fund. So the amount Mr D would get could fluctuate significantly.

Mr D remained unhappy, so he brought the complaint to our service. An investigator looked into the matter. She thought the figures Mr D had been given were correct, for the reasons Prudential had explained. Mr D asked for an ombudsman's final decision, so the complaint has been passed to me to decide.

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've come to the same conclusion as the investigator, for broadly the same reasons.

As the plan was annuity based, the transfer value needed to be calculated. This is done by multiplying the plan benefit (the guaranteed and non-guaranteed elements) by a number of factors to reflect life expectancy in retirement and the interest rates expected to be received post-retirement. Prudential has explained that there were significant changes in the bonuses and rates, a main factor being market conditions following the result of the EU referendum.

These changes took effect on 1 April 2017, between Mr D's two contacts with Prudential. And Prudential has said the difference between the transfer values was a combination of a

drop in the factors used to convert the plan benefits into a transfer value figure, and (to a lesser extent) changes in the non-guaranteed bonus rates.

These changes are a matter for Prudential's commercial discretion. And with-profits fund providers, like Prudential, do have significant discretion about how they operate this type of fund. This service can only look at individual complaints.

The industry regulator, the Financial Conduct Authority (FCA) has set out principles and rules that businesses such as Prudential need to follow for the way in which they manage their with-profit funds. The FCA monitors the management of the funds. And the FCA's Principle 6 requires that firms "*...must pay due regard to the interests of its customers and treat them fairly*". The Conduct of Business Sourcebook (COBS 20) also provides specific rules and guidance for firms on the operation of with-profits funds. With-profits providers such as Prudential are required to publish how they manage their with-profits funds, and they are accountable to the FCA

The FCA has oversight of how Prudential manages its with profits fund. And I'm not aware of any concerns the FCA has about Prudential's management of the fund or how it operates its with-profits annuities.

I can fully understand that Mr D is disappointed by the reduction in the transfer value of his pension. But I haven't seen any evidence that Prudential has acted unfairly in how it calculated it.

my final decision

For the reasons I've explained, I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr D to accept or reject my decision before 13 November 2017.

James Langford
ombudsman