

complaint

Mr A complains that The Prudential Assurance Company Limited (Prudential) told him it would be closing a fund he was invested in via his Retirement Annuity Plan (RAP) and would apply a bid/offer spread when it switched him to a replacement fund. He also complains that it failed to fully respond to his queries and subsequent complaint.

background

In September 2018 Prudential wrote to Mr A to say that it was closing its Prudential M&G Asian Fund on 23 November 2018. The letter set out that customers could move into another available fund or, if they did not respond, their holding would be moved to a replacement fund, the Prudential Pacific Markets Fund.

The letter said:

Moving between funds means the number of units you have will change. There are transactional costs involved. When we close a fund, we'll sell your units at the market price, and buy units in the replacement fund at the price offered by the fund manager at that time.

Mr A had around £100,000 invested in the Prudential M&G Asia fund.

From Mr A's submissions it appears he spoke to Prudential several times to check his understanding that he would incur a bid/offer spread. As Mr A did not receive confirmation that, despite the wording in its letter, no bid/offer spread would apply he says he felt the '*only sensible route was to liquidate all my funds in the Plan and transfer to a SIPP with another provider.*'

Mr A complained to Prudential. He said he would have lost out financially if he had remained with Prudential as a result of the bid/offer spread it would apply. He also noted that the recent performance of the replacement fund was poorer than the closing fund. He said he felt the fund was being closed due to the Prudential M&G demerger.

Mr A also complained about problems he has experienced accessing his online Prudential account.

Prudential upheld Mr A's complaint about access to his online account, 'MyPru'. It offered to pay Mr A £150 for the problems he had experienced.

But it said it did not 'support' his complaint '*in respect of the switching of the funds you were invested in*'. It noted that part of Mr A's complaint concerned '*switching the funds that part of your plan was invested in as this would cost you money*' in its final response letter. But it did not provide a response on this point. It did however, express its hope that the proposed replacement fund would achieve better investment returns than the Prudential M&G Asian Fund.

Mr A wasn't satisfied with Prudential's response and brought his complaint to this service.

He said Prudential had '*...not even attempted to address most of the issues that I raised*'. In particular he said it had not addressed his complaint that the switch to the replacement fund would incur a bid/offer spread.

Mr A said he had queried this in several phone calls with Prudential as it was his understanding that the value of the replacement fund would face an 'immediate drop of 5%' even if he transferred to its Cash Fund. He said that as the current fund value was around £100,000 the fall in the value of his holding, as a result of the fund switch, would be around £5,000.

Our investigator didn't recommend that Mr A's complaint should be upheld. She said that she felt it was reasonable to expect a difference in fund values when a fund holding was switched. And she said she felt the £150 Prudential had offered Mr A for the problems he experienced accessing his MyPru account was fair and reasonable.

Mr A didn't accept our investigator's view. He raised a number of points that he felt our investigator had not fully considered. In particular, he reiterated his view that Prudential had not acted in his (or any of the fund holders') best interests when it closed its M&G Asia Fund and did not offer a cost free transfer to a replacement fund.

He also said he didn't think that Prudential had given clear and accurate information to fund holders about the financial cost involved in the sale of their holding in the M&G Asia fund and the purchase of a replacement fund. Mr A reiterated his concern that any switch would have incurred a 5% bid/ offer spread.

He noted that our investigator had passed on Prudential's comments that:

There are no explicit costs charged to the customer for the switch (as there may be if the customer chose to switch themselves, depending on product). The only cost that could arise is based on the price spread for the underlying assets (if, for instance, the asset of the closing fund is priced at bid, and the asset of the receiving fund is priced at offer). However, there is an argument that, if the underlying assets have been on those respective bases in the run up to our fund closure date, then our switch transaction (selling one asset and buying another) has not impacted either asset pricing basis, and so no spread cost has been triggered. That is the case with this fund closure switch for which our transactions did not appear to change the pricing basis of either underlying asset.

Mr A said he found this explanation 'Gobbledygook'.

As Mr A remained unhappy with our investigator's view his complaint was passed to me to determine.

Having considered all the available evidence and arguments I reached a different view to that of our investigator. I issued my provisional decision on this complaint on 9 June 2020. By way of my provisional decision I set out why I considered this complaint should be upheld in part and how I considered the matter should be fairly settled. I invited the parties to let me have any further information or evidence, if they wished, before I finally determined the complaint.

In my provisional decision I set out my view as follows:

Cost of switching

Prudential wrote to Mr A in September 2018 to say that it was closing its Prudential M&G Asian Fund on 23 November 2018. The letter set out that customers could either chose to

move into another available fund or, if they did not respond, their holding would be moved to the selected replacement fund, the Prudential Pacific Markets Fund.

The letter said:

Moving between funds means the number of units you have will change. There are transactional costs involved. When we close a fund, we'll sell your units at the market price, and buy units in the replacement fund at the price offered by the fund manager at that time.

Mr A, not unreasonably in my view, understood this to mean that when Prudential closed its M&G Asia fund he could either switch to the replacement fund suggested by Prudential and incur a bid/offer spread on this switch, or chose a different fund - again incurring a bid/offer spread.

Mr A said he queried this in several calls with Prudential. He said he explained that it was his understanding that the value of the replacement fund would face an 'immediate drop of 5%' even if he transferred to its Cash Fund. He said that as his holding in the fund was worth around £100,000 the fall in value, as a result of the fund switch, would be around £5,000.

Mr A raised this issue in his complaint to Prudential. But its final response letter did not address this aspect of his complaint.

In an email to this service, which our investigator passed on to Mr A, Prudential said:

There are no explicit costs charged to the customer for the switch (as there may be if the customer chose to switch themselves, depending on product). And, the switch between Prudential wrapper funds is achieved using equivalent prices (usually bid to bid), so there is no direct spread cost incurred.

I asked Prudential to explain how this explanation was consistent with the letter it sent to Mr A in September 2018 that said:

When we close a fund, we'll sell your units at the market price, and buy units in the replacement fund at the price offered by the fund manager at that time.

I noted that Mr A had, not unreasonably, understood this to mean that there was a bid/offer spread.

I also asked Prudential to set out simple workings showing what the actual reduction, if any, in the value of Mr A's M&G Asia fund holding would have been, if he had transferred into the Pacific fund suggested by Prudential.

Unfortunately, despite several requests for clarification on how to carry out this calculation Prudential did not provide this service with a calculation showing what the change in the value of Mr A's holding would have been if he had gone ahead with the transfer from the M&G Asia fund to the Pacific Markets fund.

However, Prudential did provide a response on the point I raised in relation to its Terms and Conditions. I noted that the terms and conditions set out that fund conversions would be carried out on a bid to bid basis. I asked how this was consistent with the letter it sent to Mr A in September 2018.

I said it wasn't clear to me that Prudential had treated Mr A fairly as it appeared from the letter it sent to him in September 2018 that he would have incurred a bid/offer spread as a result of the closure of the M&G Asia fund.

In March 2020 Prudential provided the following response to this service:

The project team involved in the closing down of the funds have looked at the communication to our customers and do not feel that this was misleading. We feel that Mr A has misinterpreted the letter and we are not aware of any other complaints that customers have raised regarding the wording on the communication. We are sorry if Mr A did misunderstand this.

The wording of the letter states 'we'll sell your units at the market price, and buy units in the replacement fund at the price offered by the fund manager at that time', this means we will transact on the prevailing prices as at the point of the switch. The wording does not mean that we sell at the bid price and buy at the offer price. I think in this case, Mr A has misinterpreted the word 'offer' and assumed this meant the offer price. However, there is nothing on the letter that confirms that the switch would be done on a bid/offer basis.

On the bottom of our communication, we asked customers to contact us if they had any questions to come back to us.

Our records show that he called us on 18 October 2018 regarding the closure of these fund and we called him back on 22 October 2018. However at this point he had already transferred his benefits out. It therefore seems he had made this decision without initially contacting us to clarify this wording. I have attached a copy of the screen print showing the transfer request.

So it appeared that no bid/offer spread would have applied if Mr A had gone ahead with the switch to the Prudential Pacific Markets Fund.

I very carefully considered whether the misunderstanding about a bid/offer spread was caused as a result of Mr A '*misinterpreting*' the wording in the letter from Prudential.

I also considered whether Mr A could reasonably have been expected to know that, despite the letter he received from Prudential in September 2018 saying:

*When we close a fund, we'll sell your units at the market price, and buy units in the replacement fund **at the price offered by the fund manager at that time.***
(bold is my emphasis) that this '*wording does not mean that we sell at the bid price and buy at the offer price*'.

Having very carefully considered this matter, I said I thought that Mr A had taken reasonable steps to check his understanding. I didn't think Prudential's claim that Mr A failed to check his understanding was correct.

In particular, I noted that in his letter of complaint to Prudential dated 6 November 2018 Mr A said:

My holding of the Asian Fund was approximately £100,000 and a bid/offer spread of the Cash Fund was going to cost me a transfer value reduction of approx. £5,000 whether I held it for 1 day or till 7 June 2020.

*On reading your information and realising the seriousness of this my only sensible route was to liquidate all my funds in the Plan and transfer to a SIPP with another provider. **I made telephone calls to your company** which I understand were recorded.*

I was informed that if I still had the Asian Fund on 23rd November that it would be immediately transferred and there was no leeway of even a few days during which the money could sit as cash to avoid this bid/offer spread so I had to deal with this very quickly. I arranged in conjunction with [name of stockbroker] for them to send an ORIGO transfer form on 18th October to Prudential - which they did and I informed Prudential of this.

I was phoned by Prudential on 22nd October to be told that there was no sign of the ORIGO form and the transfer could take a few weeks. I explained that I would be contacting the Ombudsman if there was a delay forcing me to buy into your Cash Fund. I phoned [name of stockbroker] and they confirmed that they sent the form on 18th October and they could tell that Prudential had started working on it.

*I then had another call from Prudential telling me the value of the new fund would be the same as the old fund. I quoted the first paragraph of the second page of the letter which clearly states this is not the case: 'There are transactional costs involved. When we close a fund, we'll sell your units at the market price, and buy units in the replacement fund at the price offered by the fund manager at that time.' **I was told this would be checked.***

*Prudential phoned and confirmed that ORIGO was in fact received on 18rd October contrary to what I had previously been told by them **and they were still unable to confirm re the bid/offer spread.***

*On 23rd October Prudential phoned and said all was in order and my cash would be with [name of stockbroker] the following day. **They would also notify me about the bid/offer as they wanted to know in case other fund holders were disadvantaged.***

As I had registered for MYPRU I tried to access my account on 24rd and 25th to verify what was happening, but was unable to do so as 'there was a problem with my account'. I phoned your helpline and was told that he could not access my account either and he could not transfer me to the correct department as they had terminated his call when he had tried. He requested a 'call back' to me which he said would happen on 25th or 26th October as this instruction could not be ignored.

*Prudential phoned and confirmed that the transfer had happened on 23rd October of £361,352.24 which I then verified with [name of stockbroker]. **I also said I was still awaiting the information about the bid/offer spread.***

(bold is my emphasis)

In view of this I said I didn't think it was fair for Prudential to say that Mr A decided to move to another provider 'without initially contacting us to clarify this wording'. From Mr A's submissions it appeared that he contacted Prudential on or before 18 October 2018 to clarify his understanding of the situation. It also appeared from Mr A's submissions that he felt he had to 'deal with this very quickly' as he was told that the fund switch, incurring a bid/offer spread, would go ahead on 23 November 2018 if he had not transferred his funds away by this date.

Prudential also appeared to have caused Mr A further concern by telling him it had not received the ORIGO transfer form and that the transfer could take 'a few weeks'. I said I thought this led Mr A to think there was some risk that the transfer to his new SIPP provider might not go ahead before the 23 November 2018. Mr A thought he would incur a further bid/offer spread when his holding was encashed, if the transfer went ahead after this date.

Having very carefully considered this matter my provisional view was that Prudential did not treat Mr A fairly. I said I didn't think it had provided clear communications. And I didn't think Mr A was at fault for 'misinterpreting' Prudential's letter saying; '*...we'll sell your units at the market price, and buy units in the replacement fund at the price offered by the fund manager at that time.*'

I said I thought this wording was, at best, confusing and unclear.

In my view, Prudential should have acted promptly and confirmed that despite the wording in its letter no bid/offer spread would apply.

Instead, when Mr A contacted Prudential to check his understanding, it caused Mr A more worry when it told him '*there was no leeway of even a few days during which the money could sit as cash to avoid this bid/offer spread*' and wrongly claimed not to have received the ORIGO transfer form.

I concluded that the incorrect information Mr A received from Prudential made him think he could find himself in a position where he would incur a large bid/offer spread through no fault of his own.

My view was that, based on Mr A's submissions to this service, he would not have encashed his holdings and moved his pension pot to a SIPP provider if Prudential had promptly explained that, despite the wording used in its letter dated September 2018, no bid/offer spread would be applied to the fund switch when it closed its M&G Asia fund.

I reached this view as I noted Mr A said in his complaint to Prudential:

I have had this Policy for many years and have refrained from switching funds because of the associated costs and I intended keeping the Policy till my 75th birthday.

By your decision to make this change I was going to make a loss of about £5000 plus lose any potential gain on that amount of money till 2020 due to Out of Market risks.

In order to expedite the change and in view of the confused and inaccurate information the only sensible option was to transfer all my Plan at the Transfer value though this entailed loss of the bid/offer spread and costs of re-investments in my SIPP.

In order to resolve this matter Mr A said he wanted Prudential to cover the bid/offer spread that would have applied if he:

...had invested immediately in any of the Prudential M&G Funds again this would have cost £379,419.85 (Offer price) for them to have the same Bid price of £361,352.24. Therefore to have put me back to the same position would require the difference i.e. £18,067.61.

But as Mr A had confirmed that he did not re-buy the funds he held in his RAP, I said I didn't think it would be fair to ask Prudential to cover the cost of the bid/offer spread Mr A would have incurred.

I was also mindful that Prudential told Mr A that that it didn't think a bid/offer spread would be applied during one of the phone calls he had with it before he transferred his funds to a SIPP. I note that Mr A asked Prudential to double check that this was correct as this was not what he understood its September 2018 letter to say. It appeared that as Prudential failed to come back to Mr A he went ahead with the transfer of his funds. If Mr A had not transferred the funds in his RAP to a SIPP he thought he would incur a 5% bid/offer spread when the M&G Asia Fund was closed – a loss of around £5,000 based on the value of his holding in the M&G Asia Fund.

Mr A says that having read the September 2018 letter from Prudential about the closure of its M&G Asia Fund '*...and realising the seriousness of this my only sensible route was to liquidate all my funds in the Plan and transfer to a SIPP with another provider.*'

But I didn't think encashing all the holdings in his RAP and moving the proceeds to a SIPP was Mr A's '*only sensible route*'. By doing so, Mr A incurred a bid/offer spread on all the holdings in his RAP – Mr A said this has left him over £18,000 out of pocket.

I noted that, if Mr A had left his other funds in place and switched to another fund offered by Prudential when the M&G Asia fund was closed he wouldn't have incurred a bid/offer spread on around £260,000 of his RAP holdings.

I said I thought the letter he received in September 2018 prompted him to re-assess his RAP. As Mr A thought he was about to incur a 5% bid/offer spread on one of his holdings he decided to move all of his RAP funds to a SIPP.

But by doing so, Mr A chose to incur a bid/offer spread on **all** his funds. Whereas, based on his understanding at that time, if he had left his funds in his RAP he thought he would incur a 5% bid/offer spread on his M&G Asia Fund holding. In view of this I said I thought Mr A chose to incur a bid/offer spread on all the holdings in his RAP so he could transfer to a SIPP – and as I'd already said, I didn't agree that this was his '*only sensible route*'.

Having carefully considered this matter, I said my provisional decision was that Prudential should pay Mr A the difference between the bid and offer price on his M&G Asia Fund holding as at the date Mr A encashed it. I said this would compensate Mr A for the loss he suffered that he thought was unavoidable.

As to Prudential's comments around the timing of Mr A's transfer out to the SIPP, I very carefully considered the incorrect information Mr A was given when he contacted Prudential to check his understanding of its September 2018 letter. I said that Mr A felt the timescale for transferring his RAP funds to a SIPP was very tight if it was to be completed before the M&G Asia fund was closed. In view of this, I said I didn't think it was reasonable to say that Mr A should have waited any longer for Prudential to give him an unambiguous answer about the wording in its September 2018 letter.

I also said I thought Prudential should pay Mr A a further £500 for the trouble and upset this matter had caused him. In particular I said I was mindful of its failure to provide a clear explanation to Mr A on this aspect of his complaint despite his numerous requests for clarity. I said it was clear from the correspondence I had seen that Prudential repeatedly failed to provide a response on this issue.

access to MyPru

I said it was not in dispute that Mr A experienced problems accessing his MyPru account. I said I thought that the £150 that Prudential had offered Mr A for the inconvenience this had caused him was fair and reasonable. As Mr A had not raised any further points in relation to this aspect of his complaint, I said I did not intend to consider this aspect of his complaint any further.

wider issues

Mr A also raised a number of points in relation to whether Prudential was in breach of regulatory requirements. In particular, I noted Mr A had raised concerns about whether Prudential should have been allowed to close the M&G Asia fund without first obtaining the consent of fund holders.

I said I appreciated the points that Mr A had made, but I was required to determine this complaint on its individual merits. I explained that this service doesn't have any regulatory or enforcement powers.

I said that if Mr A would like to pursue the wider issues he had raised, he might wish to contact the industry regulator, the Financial Conduct Authority (FCA). If there have been breaches of regulatory requirements the FCA has the authority to investigate these and, if it considers it appropriate, it has the power to order Prudential to put matters right for all affected customers.

Both Mr A and Prudential responded to my provisional decision.

Mr A said he was pleased my provisional view was that his complaint should be upheld in part. But he said he was disappointed that I did not think that transferring out all the funds he held in his RAP was his 'only sensible route'.

In particular Mr A said:

I would ask - would you consider it sensible to NOT close all the Funds when I had totally lost faith and trust in Prudential for many reasons which I have previously documented and they could at any stage have done a similar action on each of my other Prudential funds and possibly on numerous occasions if they got away with this one? I did not take the decision without considerable thought despite the very tight time schedule because of their threats of several weeks being necessary to make any switch – a threat that was also inaccurate but presumably made to stop me taking the action.

Mr A also provided additional background on some of the points I had covered in my provisional decision. I note Mr A has confirmed that Prudential did **not** tell him that a bid/offer spread wouldn't be applied during a call on 22 October 2018. Mr A noted that in his submissions to this service he said he was told the '*value of the new fund would be same as the value of the old fund*'. As this did not tally with the information in the letter he had received he asked Prudential to confirm if this was correct, but it repeatedly failed to do so.

Prudential responded to say that it did not accept my provisional decision.

It said:

Our letter in September 2018 wasn't as clear as it could've been, but we never stated a 5% bid/offer spread would apply to the switch. Mr A incorrectly assumed this and did not contact us until 18 October 2018. I believe at that time, he had already made arrangements to transfer his benefits to [name of stockbroker].

It provided call recordings of conversations Mr A had with its representatives.

The first call was made in the afternoon on 18 October 2018. It noted that in this call Mr A asked about how to transfer his funds to a SIPP. It said it believed that Mr A had *'already made the decision to transfer the funds into a SIPP at the time and was asking how to arrange this transfer'*. It noted that towards the end of the call Mr A said he was going to transfer his funds to a SIPP.

It said it received an ORIGO transfer request later that day. It said it felt this showed *'...it was possible that the transfer process had already been looked into before this call.'* It said it felt it was unlikely that Mr A could have liaised with a SIPP provider to transfer his funds so quickly. But it accepted that in the call on 18 October 2018 it was not able to answer Mr A's question about why it had said he would incur a bid/offer spread on a compulsory fund switch.

It said it then called Mr A twice on 22 October 2018. It said it initially told Mr A that it hadn't receive his ORIGO transfer request as it had been sent to a different department and it had taken a few days for the transfer to be registered on its systems.

In the second call of 22 October 2018, it said it had told Mr A *'...that the fund value of £99,000 approx, would still be switched into the new fund. Mr A queried this and he felt this was different to what our September letter says. It was agreed we would call him while we checked this again and called him the following day. However, again in the call of 22 October, he was insistent that the policy was transferred.'*

On 23 October 2018, Prudential called Mr A again and said it was carrying out some calculations to see if he would be *'disadvantaged'* as a result of the compulsory fund switch. In this call its representative confirmed that the ORIGO transfer was going ahead and the funds would be paid to Mr A's new SIPP provider the next day.

Prudential says its representative *'...explained [in relation to the calculations being carried out] that it will not affect the plan anyway. She said our specialist area were looking into this and feedback to the relevant area to ensure no customers were disadvantaged by this she asked if this was OK and that had resolved his concerns. I believe that our call handler was looking at the concerns from a wider point of view to see if any customers were affected by this.'*

Prudential accepted that it did not provide Mr P with these calculations, despite having said it would do so. But it also said Mr A had not asked it to stop the transfer while it looked into whether the information in letter it sent him in September 2018 was wrong.

It said:

'I would therefore disagree that Mr A gave us the opportunity to fully explain this before the transfer request came through on 18 October 2018. We called Mr A back on 22 October 2018 following his call on 18 October and at this point he had already requested the transfer. In the second call of 22 October we gave him the correct information, he queried this but the transfer was going through before we were able to fully clarify.'

It confirmed that the value of Mr A's M&G Asian Fund would have been switched into the Pacific Markets fund with no bid/offer spread being applied if he had remained with Prudential.

It agreed that Mr A suffered a loss of around £5,000 (the difference between the bid and offer price) when his M&G Asia fund was encashed. It said:

However, I would reiterate that the customer would not have suffered this financial loss on the switch of the funds. I therefore do not feel that the customer is due to be paid this amount as he has not lost out by this value.

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 remain of the view that Mr A's complaint should be upheld in part. I'll explain why.

In its response to my provisional decision Prudential said:

When we close funds and switch customers to another fund, this switch of funds is obviously out of the customer's control, we would therefore not charge for this switch of funds and it would be wrong to do so.

It is very unfortunate that Prudential was not able to give this clear, unambiguous message to Mr A when he phoned it in October 2018. Had it done so, I think Mr A would have left his funds with Prudential. This was without doubt the catalyst for Mr A moving his funds.

In its earlier responses to this service, in March 2020 Prudential said:

The project team involved in the closing down of the funds have looked at the communication to our customers and do not feel that this was misleading. We feel that Mr A has misinterpreted the letter and we are not aware of any other complaints that customers have raised regarding the wording on the communication. We are sorry if Mr A did misunderstand this.

The wording of the letter states 'we'll sell your units at the market price, and buy units in the replacement fund at the price offered by the fund manager at that time, this means we will transact on the prevailing prices as at the point of the switch. The wording does not mean that we sell at the bid price and buy at the offer price. I think in this case, Mr A has misinterpreted the word 'offer' and assumed this meant the offer price. However, there is nothing on the letter that confirms that the switch would be done on a bid/offer basis.

On the bottom of our communication, we asked the customers to contact us if they had any questions to come back to us.

But Mr A **did** contact Prudential with his questions.

I have listened to all the call recordings Prudential has provided. Having done so I am satisfied that Mr A very clearly explained his concern that he would incur a 5% bid/offer spread due to the compulsory fund switch in the call on 18 October 2018. He reiterated his concerns in the subsequent calls. At no point during these calls did the representative suggest that Mr A might have 'misinterpreted' its letter or say that the bid/offer spread would not be applied.

If, as Prudential has suggested, Mr A had clearly misinterpreted its letter, I think its representatives should have explained this was the case. Despite Mr A's very clear explanation of his concerns none of the representatives he spoke to were able to correct this 'misunderstanding'. I think this supports my view that the wording in its letter wasn't clear, even to its own representatives.

I remain of the view that it was not unreasonable for Mr A to have understood the wording in Prudential's letter to mean that a bid/offer spread would be applied on the fund switch. The letter said:

Moving between funds means the number of units you have will change. There are transactional costs involved. When we close a fund, we'll sell your units at the market price, and buy units in the replacement fund at the price offered by the fund manager at that time.

I also don't agree with Prudential's view that Mr A had already decided to move his funds to a SIPP before he called it on 18 October 2018. In the call Mr A, very reasonably, asked whether it would be possible to transfer the funds without encashing them (this is usually referred to as an 'in-specie' transfer) and he asked how he could 'go about' transferring his funds to a SIPP.

If Mr A had already investigated moving his funds to a SIPP it seems likely he would have already known the answer to these questions. Likewise Mr A was unaware of the ORIGO platform that could be used to move his funds to a new provider until the representative mentioned it.

On 22 October Mr A again explained his concern that, regardless of which fund he was switched into, he would incur a 5% bid/offer spread. Despite this the representative reiterated that Mr A would be switched into a new fund if his SIPP transfer had not been completed by the date the fund was closed. I note that the representative repeatedly failed to address Mr A's concern about the bid/offer spread on the fund switch.

Having carefully reconsidered whether the misunderstanding about a bid/offer spread was caused as a result of Mr A '*misinterpreting*' the wording in the letter from Prudential I remain satisfied that Mr A went to considerable lengths to check his understanding that a bid/offer spread would be applied on the fund switch. He very clearly explained his concerns in the phone calls he had with Prudential's representatives. Unfortunately, for whatever reason, Prudential was not able to correct this 'misunderstanding'.

I have also re-considered whether transferring all the funds he held in his RAP to a SIPP was Mr A's 'only sensible route'.

I am sympathetic to the position Mr A was in. Having listened to call recordings I think Mr A made every effort to explain his concerns to Prudential.

I appreciate that Mr A wanted to close all his funds as he had lost trust in Prudential, but I don't agree that this was the only sensible way to address his concerns.

Mr A says Prudential could have '*...any stage have done a similar action on each of my other Prudential funds and possibly on numerous occasions if they got away with this one?*'

While I accept that Prudential could have closed other funds Mr A held, it hadn't said or suggested that it was going to do so. So although I do understand that Mr A was very concerned that he would incur a 5% bid/offer spread when the Prudential M&G Asia fund was closed I don't think his only sensible option was to encash all his funds and move his pension pot to another provider.

I accept that Mr A didn't make the decision to move to the SIPP lightly. And I agree that due to the incorrect information he received from Prudential about the likely timescale for the transfer Mr A felt he had to make a decision very quickly. But it remains the case that by choosing to move his pension pot from Prudential to another provider Mr A chose to incur the bid/offer spread on all the funds he held with Prudential. And I think to compensate Mr A for the bid/offer spread on all of the funds would be disproportionate.

Mr A says that having read the September 2018 letter from Prudential about the closure of its M&G Asia Fund '*...and realising the seriousness of this my only sensible route was to liquidate all my funds in the Plan and transfer to a SIPP with another provider.*'

But, by doing so, Mr A incurred a bid/offer spread on all the holdings in his RAP – Mr A says this has left him over £18,000 out of pocket.

I remain of the view that the letter he received in September 2018 prompted him to re-assess his RAP. As Mr A thought he was about to incur a 5% bid/offer spread on one of his holdings he decided to move all his RAP funds to a SIPP.

But by doing so, Mr A chose to incur a bid/offer spread on **all** his funds. Whereas, based on his understanding at that time, if he had left his funds in his RAP he thought he would incur a 5% bid/offer spread on his M&G Asia Fund holding. So I think Mr A chose to incur a bid/offer spread on all the holdings in his RAP so he could transfer to a SIPP – and as I've said above, I don't agree that this was his '*only sensible route*'.

what Prudential must do to put matters right

Having carefully considered this matter, I think a fair and reasonable outcome would be for Prudential to pay Mr A the difference between the bid and offer price on his M&G Asia Fund holding as at the date Mr A encashed it. This compensates Mr A for the loss he suffered that he thought was unavoidable.

Prudential should also pay Mr A a further £500 for the considerable trouble and upset this matter has caused him. In particular, I am mindful of its failure to provide a clear explanation to Mr A on this aspect of his complaint despite his numerous requests for clarity.

my final decision

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr A to accept or reject my decision before 21 August 2020.

My decision is that I uphold this complaint in part. In order to resolve this matter The Prudential Assurance Company Limited should pay the compensation as set out above.

Suzannah Stuart
ombudsman