

complaint

Mr C's complaint is about the performance of his Prudential Personal Retirement Plan. He says that the figures now quoted are nowhere near the figures that were presented when he originally arranged the plan with Prudential Assurance Company Limited.

background

The adjudicator wrote to Mr C in July 2012 with her assessment of the complaint. The background and circumstances to it were set out in that assessment. The adjudicator did not recommend that the complaint should be upheld. In summary she said that:

- She was unable to conclude that Prudential misled Mr C about the amount of bonus he could receive and that this encouraged him to start the plan.
- She did not consider that Mr C was mis-sold the plan by Prudential because it appeared to be appropriate for his circumstances at the time.

Mr C did not agree with the adjudicator's conclusions. He requested Prudential send him a copy of the original calculations it used in 1986 to work out the pension he could get at retirement. He was unhappy that Prudential was unable to provide him with this and wanted his complaint referred to an ombudsman.

my findings

I have considered all the available evidence and arguments that have been provided from the outset in order to decide what is fair and reasonable in the circumstances of the complaint. Having done so, I have come to the same conclusions as the adjudicator, and broadly for the same reasons.

Mr C's personal pension plan was taken out in 1986 which was before the Financial Services Act 1986 came into force (on 29 April 1988). There were, in effect, no specific regulations that firm's were required to follow at that time. The only "framework" was the common law, and some guidelines from industry bodies. The introduction of the Financial Services Act 1986 brought about wholesale changes in the requirements on businesses. This perhaps demonstrates in itself the weakness of what went before, however none of that is the responsibility of this business. I am bound to consider the matter against the standards that were required at the time and not with the benefit of hindsight.

Prudential has said that it used the bonus rates that it was paying at the time that the plan was arranged to calculate the figures that it provided in the illustrations. I do not consider that this would have been considered unreasonable. And when the Financial Services Act 1986 came into force (in 1988), the regulators set out specific rates that firms had to use in illustrations – the higher rate that was allowed was 13%. Looking at the figures in Prudential's illustration provided to Mr C, they appear to be aligned to this higher rate. So I am not persuaded that, at the time, the basis on which the figures were provided would have been considered unreasonable.

Clearly, however, I appreciate Mr C's concerns given that the figures now being quoted bear little resemblance to those originally provided. This is due to the fact that investment returns have been significantly lower than those that were assumed to be realistically achievable when the plan was arranged. The investment climate at the time that the illustration was provided was very different to that of today. Investment returns and interest rates had both

been historically higher. Therefore the expected future level of returns on which the benefits quotation was based reflected this more optimistic future outlook. Unfortunately the actual returns achieved have not reflected the rates used in the illustrations.

However, this was largely due to factors outside of the firm's control. And as I have explained above, I am bound to consider the matter against the standards that were required at the time and not with the benefit of hindsight. Having done so, I have seen no persuasive evidence that the plan was inappropriate for Mr C, or that the basis used for the figures provided in the illustrations was unreasonable.

my decision

Accordingly, my final decision is that I do not uphold Mr C's complaint.

David Ashley
ombudsman