

complaint

Mr M complains that he was sold an unsuitable annuity by The Prudential Assurance Company Limited ('Prudential'). Mr M also complains that Prudential did not fully inform him of his annuity options.

background

Mr M took out an annuity with Prudential in July 1995 and another in April 2006

Mr M says he should have been advised on both occasions to buy an enhanced annuity. He was in serious ill health at the time but he says Prudential did not take this into account. He also says he was not told he could approach other annuity providers by way of the Open Market Option ('OMO') and was wrongly influenced by Prudential which said he would get his tax free cash more quickly if he bought his annuity from it.

my findings

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

I am sorry to disappoint Mr M but there is very little I can usefully add to the assessment of his complaint issued by our adjudicator. She correctly described the regulatory obligations on annuity providers in 1995 and 2006.

Although in 1995 annuity providers were not obliged to explain the OMO to its clients, Prudential did offer the option to transfer to a provider who might offer better annuity rates. At the end of the option form completed by Mr M in 1995 there was the option to transfer his benefits. Specifically, it said:

'The current transfer value of this contract is £1665.80. Please send me the appropriate discharge forms to effect a transfer to another approved scheme.' Mr M chose not to exercise this option.

But in any event, Prudential did not offer ill health enhanced annuities in 1995. As the adjudicator explained, even though it was aware of Mr M's ill health (because the 1995 annuity was being taken early on the grounds of ill health) it could not offer an enhanced annuity because of this.

Other providers may have been able to do so but the onus would have been on Mr M to take advice about whether or not he should exercise the transfer option if he wanted to take advantage of the OMO. Prudential were his provider only; it was not obliged to advise Mr M about what choice he should make. Accordingly, I agree with the adjudicator that the annuity sale in 1995 met the then prevailing regulatory obligations.

In respect of the 2006 annuity, the adjudicator correctly pointed out that the regulations had by then changed. Providers were obliged to tell clients of the OMO.

When Mr M enquired about taking benefits in 2006 he would have received a Key Features brochure. It was standard practice to provide this. I have no reason to show Mr M was not given this, which said of the OMO:

'You can only buy a pension annuity with money from a personal or company pension scheme or contract that is approved by the HM Revenue & Customs. You can do this from any company. This is using your 'Open Market Option'. It gives you the freedom to select an annuity provider that best meets your personal circumstances. Annuity providers do offer different rates and products and it is very unlikely that one provider can offer the best deal for everyone.'

The Key Features document went on to say of enhanced annuities:

'CAN I GET A SPECIAL DEAL IF I'M IN POOR HEALTH?'

You could qualify for a higher than normal income from an 'enhanced' Guaranteed Pension Annuity if:

- *Your annuity investment is £20,000 or more, and*
- *You have a serious medical condition such as cancer, kidney, heart or lung disease which will shorten your life expectancy.'*

Unfortunately Mr M's fund value was below the minimum twenty thousand pounds required to qualify for a Prudential enhanced annuity. This means that even if he were able to show in 2006 that he had a shortened life expectancy, he would still not have qualified for a Prudential enhanced annuity. I am satisfied that Prudential gave Mr M the required information in relation to the OMO; and he could have taken advantage of this had he identified another provider whose criteria he met for an enhanced annuity.

Finally, Mr M has not given me any evidence to support his assertion that Prudential told him that by taking his annuities with it, he would get his tax free cash more quickly.

I am not persuaded by the evidence I have seen that it would be fair or reasonable to hold Prudential to account for Mr M's complaint.

my final decision

I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 11 September 2017.

Terry Connor
ombudsman