

complaint

Mr O is unhappy he can't take a lump sum payment from his pension with The Prudential Assurance Company Limited.

background

In 1994 Mr O transferred his occupational pension to a bond 32 with Prudential. In 2002 this transfer was reviewed as part of the industry wide pension review. After the review Mr O received compensation. This was added to his pension. Later Mr O signed a settlement form in full and final settlement of this issue.

In 2016 Mr O asked Prudential, following pension freedom changes in 2015, if he'd be able to take advantage of these and take a lump sum.

Prudential explained that it didn't think Mr O would be able to take a lump sum on retirement. They explained his pension has a guaranteed minimum pension liability. And currently his pension value is lower than this. So there's no excess that Mr O could take as a lump sum. They also explained the pension review compensation would be available to provide additional pension benefits including the option of a lump sum.

Mr O remained unhappy as when he transferred his pension he thought he'd be able to take a lump sum in the same way that he could with his original occupational pension. So he asked us to look into it.

The investigator didn't uphold the complaint. She said she didn't think Prudential had done anything wrong. She explained it was difficult to confirm that Mr O had suffered a financial loss. She also explained that Mr O had previously accepted redress for the transfer of the pension.

Mr O disagreed as he says he didn't know until recently that he couldn't take a lump sum and had planned his retirement on this basis. So the complaint has been passed to me.

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 this I'm not upholding Mr O's complaint and I'll explain why.

Mr O's pension transfer was reviewed as part of the regulator's industry wide pension review. The aim of the compensation was to make a payment that it was thought, at the time, would increase the value of the current pension to provide the same level of benefits as the former occupational pension.

The calculations were based on a number of assumptions set by the regulator. The assumptions used haven't mirrored what's actually happened since. Investment returns have been much lower than expected. And annuity rates have fallen. So an investor might still be worse off in retirement than if they'd remained in the occupational pension.

There's also an added factor in Mr O's case. He didn't want to accept Prudential's original offer of compensation. Mr O later did accept the offer in 2008 and, as a gesture, Prudential agreed to update it to the latest calculation date it could use for the pension review. This was April 2003 – the regulator didn't publish assumptions for any later dates. It reflected the assumptions in 2003 rather than in 2008. But I'm satisfied Prudential has done as much as it's required to do under the regulator's guidance, and it doesn't have to do anything more.

I can understand Mr O's disappointment when being told he may not be able to take a lump sum as he expected. But Prudential's loss assessment did take into account the lump sum he could've had from his former scheme. The aim of the pension review was to draw a line under any mis-selling and put things right at that time. And the compensation didn't have to mirror the benefits the original scheme would've provided. It just had to be equal in value to the total lump sum and pension benefits Mr O had lost.

Prudential has given me a copy of its calculations which I've reviewed. A summary of the calculation and the key information used was also supplied to Mr O at the time. I haven't seen anything to suggest that the calculation didn't correctly reflect the benefits Mr O had lost on the date the calculation was run (1 April 2003).

I've also considered if Prudential has correctly explained the current situation to Mr O.

Mr O's pension has a guaranteed minimum pension (GMP) liability. The current value of Mr O's pension isn't enough to meet this. This means there's currently no excess available and he can't take benefits at the moment. Prudential has told Mr O that it will make up the difference to provide the full GMP at age 60.

If there is an excess when Mr O reaches age 60 he may be able to take a lump sum. It's unlikely there will be an excess under his main plan, so this will probably only be able to provide the GMP. But Prudential has explained the compensation paid following the review won't be used to meet the GMP after age 60. So he'll be able to take some, or all, of this second plan as a lump sum.

I understand Mr O's disappointment. But considering what I've said above and as Mr O can still retire at the normal retirement age of his former scheme, I don't think Prudential has done anything wrong.

my final decision

For the reasons set out above, I don't uphold Mr O's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr O to accept or reject my decision before 10 April 2017.

Melissa Grove
ombudsman