

complaint

Mr A's complaint is about the advice he received from The Prudential Assurance Company Limited (referred to from now on as Prudential) about his pension plan. He states that he was told that he would be able to switch his funds to cash without incurring a charge.

However, following this fund switch Mr A found that a charge had been applied for taking the benefits from his plans early.

Background

Mr A first set up his Retirement Annuity Contract (RAC) with Scottish Amicable (now part of Prudential) in 1987. Mr A arranged to pay annual contributions into his plan. These additional contributions were put into new increment plans, set up for each additional contribution.

Following the introduction of the Retail Distribution Review (RDR) in 2012, Mr A was told that he wasn't able to pay any additional contributions to his new plan.

Mr A felt that the management charges being applied to his plan were having a greater effect on his plan because his contributions were restricted. He contacted Prudential to enquire about a fund switch from the investment funds to cash. Mr A asked whether there would be a charge to transfer his plan from Prudential if he were invested in the cash fund. He was told that there would be no Market Value Reduction (MVR) factor applied. Mr A was told that he might need to go to an Independent Financial Adviser (IFA), which he may be charged for.

During this phone call Mr A stated that he wanted to remove his existing IFA from the business' records. He said that Prudential must not contact this IFA as he didn't want them to know any more information about his plans.

Mr A then completed an Investment Alteration Request Form on the same day asking for his pension plan and all increment plans to be switched into the cash fund.

This switch took place in early 2015.

Prudential then sent a letter regarding Mr A's pension plan to his former IFA which Mr A had expressly request that it not do.

Mr A was sent a statement showing the transfer value of his plan. The transfer value of his plan was showing as over £24,000 less than the fund value. A copy of this statement was also sent to Mr A's former IFA, whom he'd asked be removed. He then contacted the business and made a formal complaint about the information he had been given and because it had contacted his former IFA.

Prudential explained the difference between his transfer value and fund value was the charge payable for taking his benefits before his selected retirement date. It acknowledged its error in sending Mr A's former IFA a letter after he had asked for it to be removed. The business offered him £100 for this error.

Mr A and Prudential sent a number of letters addressing the information given to him about the switch to cash. Prudential identified that the call handler Mr A spoke with didn't make the Early Retirement Charge (ERC) applicable to his plan clear.

Mr A responded asking that Prudential waive half of the ERC, to compensate him for the unclear information given to him. Prudential explained that it didn't feel that this oversight had any direct financial impact on him. It also said that the ERC was explained in the policy documentation.

As Mr A was dissatisfied with the outcome of his complaint he brought it to the Financial Ombudsman Service.

This complaint was then investigated by one of our adjudicators. He upheld the complaint. He explained that the business didn't follow Mr A's instructions to remove his previous IFA from his records and had continued to send information to them. The adjudicator also said that although he didn't feel Prudential had hidden the charges from Mr A. It did mislead him about these in the phone calls he had with the business. He asked Prudential to pay Mr A £400 for the distress and inconvenience caused by these errors.

The adjudicator explained that the offer was made up of two £200 payments: one for the business' error in failing to carry out Mr A's instructions and another for misleading Mr A about the charges applying to his plan. He explained that it wasn't his intention to pick out individual errors and award a set amount for each. Rather he felt the two issues had caused two distinct effects on Mr A.

Prudential and Mr A disagreed with the adjudicator's opinion.

Mr A explained he would accept the £400 payment but also wanted the ERC refunded. He felt this issue still needed to be addressed as he'd based his decision to transfer his plan away from Prudential on the incorrect information given to him about this charge.

Prudential said that it didn't think a further offer of £400 would be reasonable. It said it was willing to offer a further £200 for the errors it had made. This would give a total compensation payment of £300.

Both Mr A and Prudential requested that the case be referred 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.

It is clear in this case that Prudential continued to send correspondence to Mr A's former adviser after he had specifically requested that it stop doing so. Prudential has agreed that this was the case and has apologised. It has offered a modest sum to Mr A in respect of this error.

Whilst I appreciate that Mr A is upset that he was not told that there would be a reduction to his policy value if he took benefits early this is clearly set out in the policy documentation. Whilst I appreciate that this was not explained during the telephone call that took place I consider that the sum offered by Prudential is appropriate in the circumstances.

It is important to recognise that the role of an ombudsman is not to penalise a business but to resolve complaints in a fair and reasonable way. Awards made by the Financial Ombudsman Service for errors such as have happened here are generally modest.

The amount offered by the business is in my opinion appropriate and is in line with what we would award in similar situations

my final decision

I uphold this complaint against The Prudential Assurance Company Limited and I direct the business to pay Mr A £300 in respect of the problems that have arisen.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr A to accept or reject my decision before 9 May 2016.

Adrian Hudson
ombudsman