

complaint

Mrs B has complained to The Prudential Assurance Company Limited about the sale of her Teachers Additional Voluntary Contribution (TAVC) pension plan.

Mrs B is being assisted with her complaint by a third party but for ease of reading the decision, I'll refer to all submissions as being made by Mrs B.

background

Mrs B took out a TAVC plan in 1991. Unfortunately, there's limited sales paperwork available but it's been determined that at the time of the sale Mrs B was 46 years old and was working as a teacher. She'd been a member of the Teachers Superannuation Scheme (TSS) since 1984 and was expected to retire at the age of 60 with 21 years' service. Mrs B contributed the maximum to her TAVC – that being 9% of her salary.

Mrs B complained to Prudential that she hadn't been advised that there was an alternative option – past added years - available to her for topping up her retirement benefits. She said that had she been told about buying added years she would've opted for this instead of taking out the TAVC plan.

Prudential reviewed the complaint but it didn't think it had done anything wrong. Mrs B didn't agree so she referred her complaint to our service for an independent review.

One of our investigators reviewed matters but she didn't think that Prudential had done anything wrong. In summary she said that the Prudential representative couldn't provide advice on added years; they only had to make Mrs B aware that this was an alternative option. And at the time of the sale it was expected that the benefits achieved by contributing to the TAVC would exceed the benefits achieved from contributing the same amount to the added years arrangement.

Mrs B didn't accept the investigator's findings. In summary she said that there were significant benefits to buying added years. And the 9% she was contributing would've purchased an additional six years service in the TPS, thereby increasing her final pension considerably. In addition she's said that she was a cautious investor and this is consistent with the with-profits fund her TAVC was invested in. But had she been given information on added years, being cautious, she would most likely have opted for this option.

The complaint has been passed to me to decide.

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'm not upholding the complaint. I'll explain why.

I think it's very likely that when Mrs B joined the TPS she would've been provided with a scheme booklet either by her employer or the scheme administrators. And I think it's likely that this booklet explained the various options she had for paying extra contributions to increase her pension provision – including the option of buying added years. So I think, on balance, Mrs B had most likely been provided with information regarding the added years option before she met with the Prudential adviser in 1991. But given that Mrs B joined the TPS in 1984, several years before starting the TAVC, I can appreciate that she may not recall receiving a booklet.

It is of course possible that Mrs B wasn't aware of added years before she met with Prudential. And because there is only limited paperwork available now from the time of the sale, I can't say with certainty that Prudential definitely told her about this alternative option for increasing her retirement benefits.

Mrs B has said that she should've been told about the significant benefits of buying added years. But the Prudential representative was only authorised to provide advice on Prudential products; they couldn't have advised Mrs B on the added years option. So they wouldn't have been able to say added years would have been of benefit to her. All the representative had to do was make Mrs B aware that added years were an alternative option and refer her to the TPS for further information.

With only very limited information, I can't be satisfied that it did this. So I've thought about whether Mrs B would've most likely opted for added years, rather than the TAVC policy, if she'd known about them. But for the reasons set out below, I don't think I can say that she would've chosen added years in 1991.

The investigator explained that the cost of added years of service in the TPS was determined by the Government Actuary using conservative assumptions of likely future investment experience. This made them more expensive than if a less conservative (or more optimistic) set of assumptions had been used. The aim was to make sure, as far as possible, that the cost of added years would be met by the members. The intention was that this would mean there would be no shortfall that would have to be picked up by the employer.

Given that Mrs B was a teacher, I think it's reasonable to assume that she would've remained in the same profession (and a member of the TPS) until her expected retirement age of 60. This means that she would've been 19 years short of receiving the maximum scheme benefit. Had she contributed 9% of her salary to the added years arrangement as opposed to the TAVC, she would have only been able to purchase six added years of service in the TPS. So she would still have been left with a significant shortfall. And I think it's very likely that at the time it would've been shown that the projected benefits from the TAVC would be greater than the benefits provided by purchasing six years of added service. So it's difficult to say now that Mrs B would definitely have considered added years the cost effective option.

I've also thought about Mrs B's attitude to risk. She says she was a cautious investor but added years would generally have been considered suitable for someone that was risk adverse. Mrs B's TAVC was invested in Prudential's with-profits fund which, as Mrs B seems to agree, was generally considered lower risk. So I don't think the TAVC plan was unsuitable for Mrs B at the time it was sold.

Whilst it is disappointing that the benefits from TAVC may have been lower than the benefits that the added years would've provided this could not have been foreseen at the time of advice in 1991. The advice in 1991 would've been reasonable, based on the expectation the TAVC arrangement would leave Mrs B with greater benefits than the added years approach.

Overall, I don't consider Prudential did anything wrong and I don't uphold Mrs B's complaint.

my final decision

For the reasons set out above, I'm not upholding the complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs B to accept or reject my decision before 25 May 2019.

Lorna Goulding
ombudsman