

complaint

Mr A complained to The Prudential Assurance Company Limited (referred to from now on as Prudential) about a number of aspects relating to his with-profits annuity. However, at the centre of his complaint is the falling level of income he has received in recent years. He has also argued that Prudential should be able to tell him the annuity value and felt that the payments from it should be higher as he is older and, therefore, his life expectancy is shorter. He was unhappy that, when Prudential took over his annuity from Equitable Life, he had no choice in the matter.

background

This complaint was considered by one of our adjudicators, who concluded that Prudential had done nothing wrong.

The with-profits annuity was set up in 1997 with Equitable Life. It had an Anticipated Bonus Rate (ABR) of 7% per year. The with-profits annuity was transferred to Prudential with effect from 31 December 2007 as part of the bulk transfer of Equitable Life with-profit annuities. This transfer of the with profit annuities was approved by independent actuarial experts, the regulator and the courts. Individuals who were affected by the proposed transaction had the opportunity to raise their concerns in the courts if they wished. Once the courts had given their approval to the transaction it was a requirement that all with profit annuities affected were transferred.

The relatively high ABR (7%) selected at the outset would have resulted in a higher initial income but the fact that the actual bonuses have been lower than 7% has meant that the income from the policy has decreased over time. The level of annual bonuses has been affected by poor investment returns achieved on with profits policies over recent years.

I note that it has been explained, by the business, to Mr A that it is not possible to give updated annuity values once an annuity has been purchased and that it is not possible to alter the terms of an annuity once it has been set up. This means that, although Mr A is now more than ten years older than he was when he set up the annuity and feels that as a result he should receive higher payments he cannot alter the terms as they were set at the start of the contract.

It is not possible to transfer the with profit annuity to another provider.

Mr A responded to the adjudicator's view on 22 September 2013 stating he had provided many facts and figures that needed explanation.

my findings

I have considered all the available evidence and arguments to decide what is fair and reasonable in the circumstances of this complaint. Having done so, I have come to the same conclusion as the adjudicator.

Whilst I appreciate that Mr A is experiencing a reducing level of income Prudential have not acted unfairly. The income received is reducing due to the nature of with-profit investment and the fact that a high ABR of 7% was originally selected.

The Prudential takeover of the Equitable Life with profit annuitants was a commercial decision made by the respective directors of the two companies and is not something I can consider. It was approved by the regulator and also by the courts.

While I note the information Mr A has provided, this does not alter the core issue that Prudential have maintained his annuity on the basis originally agreed with Equitable.

my final decision

I do not uphold this complaint against The Prudential Assurance Company and I make no award.

Adrian Hudson
Ombudsman