

complaint

Mrs C is unhappy that The Prudential Assurance Company Limited (Prudential) won't allow her to cash in or sell her pension annuity. She also thinks Prudential should have highlighted other potential options when she took it out.

background

In 2005 Mrs C took out an annuity with Prudential. In 2016 she asked Prudential to cash in her policy under legislation which allowed consumers to cash in policies worth less than £10,000. But Prudential wouldn't allow this. Mrs C also asked Prudential if she could sell her policy and she was told this wasn't an option.

Unhappy with Prudential's response, Mrs C referred her complaint to our service.

The investigator looked into Mrs C's concerns and he didn't uphold her complaint. In summary, he said that Prudential didn't have to allow Mrs C to cash in or sell her policy and he didn't think it had acted unfairly in not allowing her to do so. He also felt Prudential had given Mrs C enough information before she took it out.

Mrs C didn't agree with the investigator. In summary, she said:

- When Prudential offered the policy to her it should have told her that there was an option to cash it in, even if it did not allow this, as she could have transferred it to another provider.
- The investigator said the option to cash in her policy didn't come into effect until after she took out her policy, but she believes the new rules relate to legislation that was in force when she took out her policy.
- Prudential has recently told her that she wasn't able to cash in her pension pot until she was 60, but it ought to have told her that when she took out her policy.

Because agreement hasn't been reached, the matter has been referred to me for a decision.

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've decided not to uphold Mrs C's complaint. I'll explain why.

The terms of Mrs C's policy don't include any provision allowing her to cash in or sell her policy. The legislation Mrs C refers to allows customers to cash in their annuities if they were worth less than £10,000. But the government also said that the policy provider needs to agree to this. Prudential has told Mrs C and us that it doesn't allow this. I can appreciate Mrs C's disappointment, but I can't say that Prudential has done anything wrong in not allowing Mrs C to cash in her policy.

I've noted Mrs C's comment that the new rules relate to The Finance Act 2004 (the 2004 Act). She's right that the amending legislation, allowing providers to exchange a single small pension pot for a lump sum, relates to the 2004 Act. But this wasn't introduced until 2012.

So, I can't say Prudential could have foreseen in 2005, that in 2012, the government would introduce amending legislation allowing consumers to take a small pension pot that was initially less than £2,000 as a lump sum (a limit which was later put up to £10,000).

There was a different "trivial commutation" limit in 2005. This is where a customer had to combine any funds in different personal pensions. And providing they didn't exceed £2,500 and they didn't have any annuities in payment and they were over 50, they could take the total as a lump sum. But as Mrs C's funds were valued at around £4,000 at that time, she wouldn't have been eligible for this.

It was also generally known at that time that the 2004 Act was about to increase this limit to £15,000, and include within this the value of any pensions already in payment. But it also increased the minimum age for taking the benefits under this rule to 60.

I've taken into account that Mrs C was 53 at the time, so she'd have to wait another seven years to see if this was an option for her. And if it turned out she had other pension benefits worth more than what the limit was at that time, this wouldn't be possible.

Prudential didn't provide Mrs C with advice and it wasn't required to, so I don't think it would be reasonable to say that it should have highlighted this as an option. It's also difficult to see that Mrs C would have been willing to do anything different even if she'd known another option might be available to her in seven years' time. She seems to have decided to access her pension and I can only assume she needed the money at that time, not seven years later.

So, on the whole, I can't say Prudential has done anything wrong.

my final decision

For the reasons I have given, it's my final decision that the complaint is not upheld.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs C to accept or reject my decision before 21 July 2017.

Michelle Griffiths
ombudsman