

## **complaint**

Mrs T has complained about information that The Prudential Assurance Company Limited gave her when she set up her Teacher's Additional Voluntary Contribution (TAVC) plan. She says that if she'd been given better information, she would've purchased added years in the Teachers' Pension Scheme (TPS) instead of setting up the TAVC plan.

## **background**

Mrs T met with a representative from Prudential in 1995. At that time she was 33 years old, employed as a teacher, earning around £12,855 a year, and had been a member of the Teachers' Pension Scheme (TPS) since 1987. On the advice of the representative, Mrs T took out a TAVC plan for death in service benefits only. In 1998, Mrs T increased her contributions to £55.12 to enhance her pension provision until she chose to opt out of the TPS and ceased making contributions to her TAVC plan in 2006.

Mrs T complained to Prudential about the advice she was given in 2017, but Prudential didn't think it had done anything wrong. It said it had taken all the required steps to make Mrs T aware of the added years option in 1995.

Unhappy with this response, Mrs T referred her complaint to our service. One of our investigators looked into things but didn't uphold it. Mrs T didn't agree with the investigator, saying Prudential didn't encourage Mrs S to explore other options with the TPS. So this has come to me to review.

## **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 T joined the TPS she was provided with a scheme booklet either by her employer or the scheme administrators. This booklet would've 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 T had most likely been provided with information regarding the added years option, even before she met with the Prudential sales representative in 1995. But in case Mrs T didn't receive a booklet when she joined the TPS, I've also thought about what she was told during the sales meetings.

Mrs T met the Prudential representative in a meeting with her husband. Prudential has provided the fact find that was completed during the meeting and signed by both Mr and Mrs T. But it doesn't have a copy of Mrs T's application form. It says the application form and information given to Mrs T and her husband would've been the same. And I agree it's likely Mrs T would've been presented with the same paperwork as her husband, so I've reviewed the information he was given in order to decide Mrs T's complaint.

The Prudential sales representative was only authorised to provide advice on Prudential products; he couldn't have advised Mrs T on the added years option. All the representative had to do was make Mrs T aware that added years were an alternative option and refer her to the TPS booklet for further information.

I've firstly considered the application form completed by Mrs T's husband in 1995. There's a section on the TAVC plan application form which asks if the applicant is currently paying additional contributions to the TPS, and one of the options that can be ticked is for added years. This section of the form has been crossed through and marked as 'no'. This suggests there was a

discussion about whether Mr T had already bought added years – and I think, on balance, it's likely the same discussion would've been had with Mrs T.

I think the paperwork that is available from the sales meeting suggests that the representative explained that added years were an alternative option. However, I've considered the possibility Prudential didn't take make Mr T aware that added years were an alternative option and refer him to the TPS booklet for further information. I've thought about whether she would've most likely opted for added years, rather than the TAVC policy, if Prudential had definitely discussed this with her. For the reasons set out below, I don't think I can say that she would've chosen added years in 1995 rather than taking out the TAVC policy.

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.

If Mrs T had paid for added years she would've had to give up a set percentage of her salary. The amount she paid would've increased as her pay increased over the years. And the information I've seen suggest that to receive the maximum benefit under the TPS, Mrs T would have needed to purchase around 6 added years. She says this would've cost her around 0.72% a year, so she would've needed to contribute 4.32% of her salary to get the maximum benefit. However, I don't think Mrs T would have wanted to commit to this option. I'll explain why.

I do appreciate that Mrs T didn't need to buy all six years but I've not seen any evidence to suggest she was in a position to buy one added year. I say this because initially Mrs T only contributed to her TAVC in respect of death in service benefits. This was at a monthly cost of £3.08. I think if Mrs T was in a position to contribute more than this, it's likely she would've taken more than just death in service. One added year would have cost considerably more than Mrs T was paying at this time and even after she increased her contributions a few years later, she was still paying less than the cost of buying the maximum number of added year. . And, at the time it would probably have been shown that the projected benefits from the TAVC would be greater than the benefits of purchasing added years. So it's difficult to say now that Mrs T would definitely have considered added years the cost effective or affordable option, when compared with the projected benefits available from investing in the TAVC plan.

Mrs T's representative says Mrs T shouldn't have been advised to take any risk and so should have bought added years instead – but there's nothing on the fact find to suggest Mrs T was risk adverse. And although it wouldn't necessarily have been foreseen, there's a reasonable chance she'd have lost money buying added years.

The AVC option offered Mrs T greater flexibility than the added years option. Mrs T later stopped contributions to her AVC plan and left the TPS scheme altogether. If Mrs T had decided to buy additional years but later stopped paying into her plan, there was a risk she would have lost money. I say this because it's not possible to buy partial years. If Mrs T could afford to pay more of her salary into a pension she could have bought five added years. But if Mrs T stopped making contributions – as she did in 2006 – only fully paid for years would have been credited to her. So if she hadn't paid enough by this point to buy a full added year, her extra contributions would've been lost.

Given the above, I don't think Prudential has done anything wrong and I'm not upholding the complaint.

**my final decision**

My final decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs T to accept or reject my decision before 1 September 2018.

Vicki Blackwood  
**ombudsman**