

complaint

Ms B's complaint is that The Prudential Assurance Company Limited ("Prudential") will not at the current time allow her to extend the term of her pension plan to a date of her choosing.

background

Ms B signed an application form in 1996 for a personal pension plan with Prudential. Benefit 1 under the policy was set up to run for 21 years, to age 60 (in 2017).

The Prudential Personal Pension Scheme Member's Booklet said that the term of the policy could be extended by five years at a time but to no later than age 75.

Ms B's employer started contributing to her policy in 1998 under Benefit 2. The term for Benefit 2 was 18 years (to 2016) but the last contribution was actually paid in May 1999.

Ms B has complained to Prudential that she had not been told that she could only extend the term of her policy in the period six months before her selected retirement date and for a minimum term of five years. She was also concerned that the retirement date could affect the state benefits she was claiming. She wanted to change her retirement date to coincide with her current state retirement age of 66.

Prudential explained that the policy was set up so that benefits could be taken at any age from age 50 to 75 (at the time) and now from 55 to 75. Had the policy term been longer at the outset and Mrs B had then taken her benefits before the Selected Retirement Date a market value reduction (MVR) could have been applied.

The policy was set up for 21 years as this reduced the level of charges. If the policy had been set up with a term of 26 years and the benefits taken early then the benefits could have been subject to a penalty

Prudential have explained that that the term of the plan can be extended by a period of five years but only in the six months period prior to the selected retirement date.

Prudential sent Ms B a payment of £50 for the wording of its letter and for not enclosing a form.

Ms B was unhappy with this offer and referred the matter to the Financial Ombudsman Service.

One of our adjudicators investigated this complaint and concluded that she could not uphold it for the following reasons:

- It was reasonable to set up the policy to age 60 which coincided with the state retirement age at the time.
- She considered the payment of £50 to Ms B to have been fair and reasonable.
- Ms B's employer chose the term for its contributions and Prudential could not change it to coincide with her contribution term.
- She had two options – to take benefits at the selected retirement date or to defer her retirement date. Both the options were explained and that she would need to inform Prudential of her choice.

- The policy booklet, under “Late Retirement” said that the retirement could be delayed when she reached her selected retirement date. Therefore, as Prudential had said, she could not change her retirement date at any time as she had believed, but would have to wait until at least six months before her selected retirement date.
- It would not be reasonable to ask Prudential to change the terms of her policy.
- She would need to consider whether she could continue to contribute to her pension policy, during the extended term, whilst in receipt of any Job Seekers Allowance (JSA).

Mrs B disagreed and stated that:

1. She had told the adviser that she would not be able to afford to retire before the state pension age. She was told that imminent changes to the state pension age would mean that women would be able to retire between ages 60 and 65. She asserted that she chose the retirement age of 60 because she was told that she could change the selected retirement age at any time. She said that the extract from the Pension Act 1995 (which she provided) showed that Prudential ought to have known at the point of sale that the state pension age for her would be 65.
2. The application form shows that the selected retirement date for her employer’s contributions should have been the same as for her contributions – June 2017. She selected age 60 on the understanding that it would be before the state pension age and that would have given her the option to retire earlier or to continue the policy until the state pension age.
3. She previously received yearly statements informing her of the tax free lump sum available from both elements but now she receives statements for just one element. Therefore, she has no way of knowing what benefits she could receive from her policy.
4. The policy booklet did not say that the term could only be changed six months before the selected retirement date. Whilst it is good practice for businesses to contact policyholders six months before their selected retirement date, it is equally good practice for businesses to honour what they tell their clients at the outset. She was told that she could change her selected retirement date at any time and not just six months before her selected retirement date.
5. She has not been on JSA continually over the past six years. If she was allowed to extend the term then she would not be taking pension benefits and would be entitled to claim the JSA. Prudential had clarified to her that provided she had some taxable income she could make pension contributions whilst claiming JSA.

Prudential agreed with the adjudicator and added that:

- Having reviewed the documentation from the point of sale, it could see no evidence that Ms B had informed the adviser that retiring before the state pension age would not be affordable.
- Ms B chose a selected retirement date of 60 and a contribution term of 21 years. However, since a policy term could only be in round years, when her contributions started in June 1996 her selected retirement date had to be June 2017.

- Her contributions and her employer's contributions have to be identified separately on her pension contract. Her employer had discretion when to start contributing and for the length of time it would make payments. Since the term could only be in complete years, when her employer's contributions started in September 1998 the end of the term had to be September 2016.
- Prudential had not seen any evidence that Ms B was told that she could have changed her selected retirement date at any time.

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 and for the same reasons.

I have carefully considered the information Ms B has provided to determine the outcome of this complaint. I have seen no evidence that Ms B had made Prudential aware that she could not afford to retire at age 60.

I am not persuaded that had Ms B been told in clear terms that she could only extend the term six months before the selected retirement date that she would have made a different decision. I say this because Mrs B was aware that her state pension age would increase to 65 but chose a selected retirement at age 60.

Whilst I understand her point of wanting the terms to end on the same date for both the contributions to her policy, Prudential did not have a say in the contribution term set up by Ms B's employer.

The policy booklet clearly sets out the options that are available in the event that Mrs B wished to defer her retirement. These are:

1. If the policy has been invested in the with profits fund then the value of the policy (including any terminal bonus) can be switched into the deposit fund. Or it can remain in the with profits fund.
2. If the policy remains invested in the with profit fund then the term will be increased by five years (or to the day before her 75th birthday if this is sooner). If the benefits remain in the with profits fund then retirement is allowed at any time before the end of the new five year period (or the 75th birthday) but the Prudential reserves the right to apply a Market Value Reduction factor if it considers that this is appropriate.
3. Prudential has said that the term could be changed six months before the selected retirement date

It is important to note that Mrs B can take benefits at any time between ages 55 and 75 and so can take her benefits at her new State Retirement Age. The policy allows the selected retirement age to be deferred by the policyholder but only in the six months prior to the selected retirement age. I do not consider it reasonable to ask Prudential to alter the terms and conditions of her policy to accommodate her current circumstances.

my final decision

My final decision is that I do not uphold Ms B's complaint against The Prudential Assurance Company Limited and I make no award.

Under the rules of the Financial Ombudsman Service, I am required to ask Ms B to accept or reject my decision before 1 June 2015.

Adrian Hudson
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