

complaint

Miss H has complained about The Prudential Assurance Company Limited's refusal to pay her pension early.

background

In 1993 Miss H transferred the benefits she'd accrued in an occupational pension scheme into a section 32 pension policy with Prudential. The occupational scheme was contracted out of the State Earnings Related Pension Scheme (SERPS) but it had to provide its members with a guaranteed minimum pension so they didn't lose out by giving up SERPS benefits. This guarantee – the Guaranteed Minimum Pension, or "GMP" – passed to Miss H's Prudential policy. This means Prudential has to pay Miss H the GMP from what her state retirement age would have been, which is age 60 in this case.

Miss H has asked Prudential if she could take benefits early – that is, before age 60. Prudential said she can only do this if the underlying value of her policy is sufficient to pay her GMP. As this hasn't been the case, Prudential turned down Miss H's request. Miss H doesn't think it fair that she can't access her pension early. She says she is extremely ill and may not live until she is 60. She referred her complaint to us.

Our investigator didn't uphold Miss H's complaint for much the same reason as Prudential – Miss H can't access her pension early because it has insufficient funds to meet the GMP. As Miss H maintains her position, the matter has come to me for a final 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.

I understand Miss H's frustration with the position she finds herself in and I have the utmost sympathy for her given her health problems. However, policies like Miss H's come with certain (often quite valuable) guarantees. Specifically, Prudential is contractually bound to pay Miss H a GMP even if it has to make up any shortfall in her funds to ensure its payment. Crucially, though, the commitment only applies from age 60. Prior to then Prudential doesn't have to pay the GMP if the fund value is too small to support it. That's the situation here. Miss H is under 60 and her fund doesn't, unfortunately, support the paying of her GMP. As it isn't permitted to pay *less* than the GMP, the options available to Prudential are limited. I recognise that this lack of flexibility is frustrating. But this is because policies like this come with certain guarantees that providers – Prudential included – can't ignore.

That said, Prudential has recently told us that it is *possible* Miss H could take her benefits early, as a lump sum, if she is single and her life expectancy is less than 12 months. I make no comment on whether this is the right thing for Miss H to do or whether she meets the criteria (independent proof would be required anyway). We've provided Miss H with details of what Prudential needs if she does want to take this course of action, so the matter is now with her.

Prudential says it wasn't previously fully aware of Miss H's circumstances. And, as I said before, these policies don't leave providers with much leeway – paying benefits early if the fund value doesn't support the GMP is extremely rare. So I don't think Prudential did anything wrong in turning down Miss H's request given the information it had at the time.

And I take Prudential's recent correspondence on the matter to be a positive. So, all things considered, I'm not upholding Miss H's complaint.

my final decision

For the reasons given above, I don't uphold Miss H's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss H to accept or reject my decision before 12 January 2019.

Christian Wood
ombudsman