

complaint

Mr A has complained that the Prudential Assurance Company Limited (Prudential) is unwilling to commute his annuity into a cash lump sum.

background

Mr A converted his pension into an annuity with Prudential in January 2013. He took 25% of the total value as a lump sum and used the remainder to purchase an annuity that would provide him with an on-going income.

Due to difficult financial circumstances he asked Prudential to commute the annuity into a lump sum in July 2014. As Prudential refused to do so Mr A referred his complaint to the Financial Ombudsman Service for an independent assessment.

The case was investigated by one of our adjudicators, who did not consider that it should be upheld. Although he acknowledged the difficulties that Mr A was experiencing, in his opinion:

- Legislation did allow firms to commute an annuity to cash (in certain circumstances) it was up to individual firms to decide whether to allow it.
- Prudential had made a commercial decision not to commute annuities that were already in payment into a lump sum.
- As Prudential was exercising its legitimate commercial judgement the adjudicator did not feel it would be appropriate to ask it to act differently in this case.

Mr A remained dissatisfied and asked for the case to be referred to an ombudsman for a final decision.

Prudential had nothing further to add.

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 reached the same conclusion as the adjudicator and for the same reasons.

I know this will be disappointing for Mr A. I do sympathise with the difficult situation that he finds himself in and I can see that a cash lump sum might assist him and his wife. But I don't think in this case that it would be appropriate for me to say that Prudential must convert Mr A's annuity to a cash lump sum.

Whilst current legislation does allow for annuities to be commuted into a lump sum, it does not *compel* firms to do so. It is at their discretion as to whether or not to offer this to its customers. In this case Prudential has decided it would not be in its commercial interests (and therefore in the long term interests of the majority of its customers) to do so.

When a firm is legitimately exercising its commercial judgment then it will generally not be appropriate for this service to interfere. I think that is the situation here and so I am not inclined to say that Prudential should act differently. I can see why Mr A considers that an exception should be made in his case but I think the decision as to whether, and in what circumstances, an annuity can be cashed in is for Prudential to make.

I have also reviewed the documents provided to Mr A at the time the annuity was arranged. Both the fact sheet provided to him and the key features document say that the once the annuity has been arranged it could not then be cashed in. I consider that Prudential made it clear to Mr A at the outset that he would not be able to commute his annuity at a later date. So I don't think that Prudential misled Mr A or gave him incorrect information

I appreciate that Mr A considers, in view of his difficult financial circumstances, that Prudential ought to allow him to change his mind about his annuity. But Prudential is not obliged to do so and Mr A was made aware that his decision could not be revisited. So, although I sympathise with Mr A, I am unable to say that Prudential must allow Mr A to convert his annuity to a cash lump sum.

my final decision

I do not uphold this complaint and make no award.

Under the rules of the Financial Ombudsman Service, I am required to ask Mr A to accept or reject my decision before 2 December 2014.

Lesley Stead
ombudsman