

complaint

Mr L complains that The Prudential Assurance Company Limited applied a market value reduction (MVR) to his withdrawal of tax-free cash from his pension without first letting him know what this would be.

background

In September 2018, through his financial adviser, Mr L put in a request to withdraw his tax-free cash amount from his pension plan with Prudential.

When this was paid into his bank account he saw that a MVR had been applied to it, meaning that he'd received £1,314 less than he thought.

Mr L complained. He said he hadn't been given any warning or notice of this. If he'd known about it, he wouldn't have gone ahead. He questioned how he could plan his finances if important information such as this was kept from him.

Prudential said that it wasn't always possible to confirm in advance if an MVR would apply to a transaction but it makes it clear that one may be applied. It said that Mr L's plan started in January 2017 and was initially invested in the with-profits fund. Since that time the funds have been switched between the cash and with-profits fund. The MVR applied reflected the duration of the investment between the final switch in February 2018, and the withdrawal.

One of our investigators looked into the complaint but didn't think it should be upheld. She didn't think it was reasonable to expect Prudential to inform each of its customers when a MVR was going to be applied to a transaction, as it had made it clear one might apply in its documentation. She said this had been specifically confirmed to Mr L's financial adviser in an email sent with his illustration, and was also explained in the key features of the retirement plan.

Mr L didn't accept the investigator's findings and asked for his complaint to be reviewed. He said he expected Prudential to let him or his financial adviser know if money would be deducted in the form of a MVR. He said he needs to make regular withdrawal from his pension pot until he reaches state retirement age. The amount of the MVR was a significant loss to him. He agreed that Prudential's correspondence does say that that a MVR may be applied and any amount quoted wasn't guaranteed. But he doesn't think it's fair that he can't be told what this would be before he decides to make a withdrawal from his pension.

He said his withdrawal had been delayed because Prudential had asked for more information from his financial adviser. There was then a further delay in Prudential giving him the explanation that a MVR had applied to his withdrawal. But his adviser had told him that MVR wasn't in place when the form was submitted to Prudential. He thought the MVR wouldn't have applied if the application had gone through on time.

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 can appreciate Mr L's strength of feeling about what's happened and the information he feels he would need so that he can make financial planning choices for his future.

I've looked over all of the information Prudential provided about the retirement plan, including the email sent to Mr L's adviser to which his illustration was attached. And, as Mr L has said, these do explain that the figures quoted can't be guaranteed and that a MVR may apply.

However, what the specific amount the reduction would be isn't included in that illustration. So I can see Mr L's point about this not giving him the detail he would need to make an informed choice about whether to go ahead with a withdrawal from his pension at any time.

A MVR is a charge that can apply when money is withdrawn from a with-profits fund before the end of its term, or the investor's selected retirement age in the case of a pension, and is used to make sure that this withdrawal won't be a disadvantage to the remaining investors within that fund. It's a matter for a business to decide on when and how much of a MVR it would apply, and this may depend on other factors such as the timing and amount of the withdrawal.

So, although an amount for a MVR wasn't specifically included in Mr L's illustration, I don't think that Prudential has acted wrongly by not providing this. The information it did provide let Mr L and his financial adviser know that a MVR may be applied. The email to the financial adviser says: "*The with-profits fund moved to the Income Drawdown plan will include regular and final bonuses less any Market Value Reduction where applicable.*" So I think the information that there may be a MVR was sufficient to allow Mr L to make an informed decision about whether to go-ahead with his withdrawal – with the knowledge that the amount quoted could be reduced if a MVR was applied.

But I've also thought about what Mr L has said about the delay in the time from his signing the forms with his financial adviser, to him receiving the money into his bank account.

Prudential has told us that it received the application on 1 October 2018, but found it to be incomplete and that no illustration had been produced. It also showed that all Mr L's plans were to be transferred when it was actually to be just one. These details had to be clarified with Mr L's financial adviser together with confirmation that Mr L accepted the illustration.

From what I've seen, the time Prudential took to process the application was reasonable and within its service level agreement, taking into account that it didn't have all of the required information needed when it first received the illustration.

I appreciate that Mr L's financial adviser may have told him that Prudential wasn't applying MVRs when he met with Mr L to complete his application. However, Prudential has told us that, even if all of the required information was supplied when it received the application, a MVR still would've applied.

Overall, I don't think that Prudential has acted unfairly with Mr L's withdrawal request and I don't think it should be required to refund the amount of the MVR to him.

my final decision

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

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr L to accept or reject my decision before 27 July 2019.

Cathy Bovan
ombudsman