

## **complaint**

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

## **Background**

Mr T met with a representative from Prudential in 1995. At that time he was 35 years old, employed as a teacher, earning around £21,400 a year, and had been a member of the Teachers' Pension Scheme (TPS) since 1987. On the advice of the representative, Mr T took out a TAVC plan. Mr T amended his benefits several times over the years until he chose to opt out of the TPS and ceased making contributions to his TAVC plan in 2006.

Mr T complained to Prudential about the advice he 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 Mr T aware of the added years option in 1995.

Unhappy with this response, Mr T referred his complaint to our service. One of our investigators looked into things but didn't uphold it. Mr 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 Mr T joined the TPS he was provided with a scheme booklet either by his employer or the scheme administrators. This booklet would've explained the various options he had for paying extra contributions to increase his pension provision – including the option of buying added years. So I think, on balance, Mr T had most likely been provided with information regarding the added years option, even before he met with the Prudential sales representative in 1995. But in case Mr T didn't receive a booklet when he joined the TPS, I've also thought about what he was told during the sales meetings.

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

Prudential has provided the TAVC application form, which is signed and dated by Mr T. The application reference to the added years option; Mr T answered "no" when the application asked whether he had bought added years. So I think it's likely there was a discussion around the added years option.

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 he would've most likely opted for added years, rather than the TAVC policy, if Prudential had definitely discussed this with him. For the reasons set out below, I don't think I can say that he 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 Mr T had paid for added years he would've had to give up a set percentage of his salary. The amount he paid would've increased as his pay increased over the years. And the information I've seen suggest that to receive the maximum benefit under the TPS, Mr T would have needed to purchase around 6 added years. He says this would've cost him around 0.72% a year, so he would've needed to contribute 4.32% of his salary to get the maximum benefit. However, I don't think Mr T would have wanted to commit to this option. I'll explain why.

I do appreciate that Mr T didn't need to buy all six years but I've not seen any evidence to suggest he was in a position to buy one added year. I say this because initially Mr T only contributed around 3.57% of his salary. And there were several occasions where Mr T took advantage of the flexibility offered by the TAVC scheme and amended his contributions, before stopping them entirely. If Mr T had decided to buy additional years but later stopped paying into his plan, as he did indeed do, there was a risk he would have lost money because it's not possible to buy partial years. So if he hadn't paid enough by this point to buy a full added year, his extra contributions would've been lost. 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 Mr 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.

Mr T's representative says Mr 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 Mr T was risk adverse. And although it wouldn't necessarily have been foreseen, there's a reasonable chance he'd have lost money buying added years for the reasons explained above.

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 Mr T to accept or reject my decision before 1 September 2018.

Vicki Blackwood  
**ombudsman**