

complaint

Mr B is unhappy because he has an annuity with The Prudential Assurance Company Limited that he doesn't want and he doesn't think it is right for him.

background

In 2013 Mr B met with a Prudential adviser to discuss his options regarding his pension. The adviser produced a report which recorded the discussions that they'd had. It was recorded that Mr B wanted to access the money from his pension and take all of the tax free cash available to help his daughter with a deposit for a house.

It was also recorded that Mr B didn't want to take any risk with his pension and had no capacity for loss, so options such as income drawdown were discounted.

The recommendation was for Mr B to take the maximum tax free cash available and the remainder of his fund to be used to purchase an annuity to be paid monthly. The report outlined the risks involved with this, including that the annuity cannot be cashed in at any time or changed.

It was also recorded that the Prudential plan had a guaranteed basic annuity rate attached to it. The adviser said this was more valuable than the enhanced medical rate Mr B qualified for and likely better than what Mr B would've been able to get on the open market with other providers.

More recently Mr B has complained saying he doesn't understand his annuity and doesn't think the monthly payment of approximately £800 is worth it. He'd like to be able to cash in his annuity as unfortunately he is having financial difficulties.

Our investigator looked into the complaint but didn't think Prudential had done anything wrong.

my findings

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

Mr B has said he doesn't understand the annuity and didn't know what he was signing up for. I can see that Mr B is still unsure about the situation with his pension now and I understand that pensions can be confusing.

However, having looked at the paperwork I think Prudential did a thorough job in explaining its recommendations to Mr B – so I don't think it did anything wrong. The adviser's report was detailed and it's clear that the adviser discussed the options with Mr B and tailored his recommendations towards Mr B's needs. I think ultimately what Mr B wants now wasn't available at the time and because he's taken his benefits already, isn't available now either.

It was recorded that Mr B didn't want to take any risk with his pension fund and wanted to help his daughter with a deposit for a house. The adviser recommended that Mr B take the maximum lump sum available at the time and take the remainder as an annuity. So I think this was a suitable recommendation considering Mr B's needs and attitude to risk. The documentation also explained that in doing so, Mr B would not be able to cash in his annuity

at a later date. So whilst Mr B says he didn't understand this, I do think that Prudential did enough to make this clear in the documentation.

Mr B has asked about what would have happened if he had tried to cancel his annuity. This would've only been allowed if it was done within the relatively short cancellation period straight after taking his benefits. Mr B would've had to give back the lump sum payment and any other money he'd received at this point from the annuity. However, in doing so he would've been back in the position he'd been in before – at the time he couldn't cash in the whole pension or taken any more out than he did as a lump sum. So whether he could've cancelled his pension or not, at the time, wouldn't have changed Mr B's options.

I think it might be helpful to explain what Mr B's options were at the time. In choosing to save using a pension, Mr B was paying contributions to the Prudential plan with the aid of tax relief to build up a fund for use in later in life.

When Mr B decided to start contributing to his pension, the purpose of the product was to provide an income in retirement. And when he came to take his benefits, Mr B's options were limited in that he couldn't take the whole fund as a lump sum. Legislation simply didn't allow for this. Even if Prudential had wanted to, it couldn't pay Mr B more than 25% of his fund value as a lump sum. If it did, Prudential would likely be heavily penalised and Mr B's fund could've been halved as it would've been treated by HMRC as an unauthorised payment. So this wasn't an option.

Once Mr B took the lump sum he had to take an annuity with the remainder of the fund. It seems that Mr B thinks the adviser may have taken advantage of his lack of understanding of pensions but I don't think this is the case. It was simply that Mr B's options were limited and the other options weren't suitable for his circumstances – the adviser recommended the option that seemed the best fit for what Mr B wanted, which was as much cash as he could get at the time.

The remainder of Mr B's fund after he'd been given the tax free lump sum had to be used to buy an annuity that will be paid for the rest of Mr B's life. Once Mr B agreed to this and the cancellation period expired, no further changes were allowed. His fund no longer exists because it was used to buy the annuity of approximately £800 a month. This is what Mr B chose and Prudential did explain this clearly to him.

More recently, the government has made changes to what customers can do with their pension. Allowing them to potentially take the whole pension as a lump sum. But this was after Mr B had already taken his benefits and wasn't available at the time. And this legislation doesn't apply if benefits have already been taken, as is Mr B's case.

Due to Mr B's circumstances now, he wants to take more than the £800 a month he receives. But unfortunately, Mr B doesn't have any further options with this pension. I'm sorry to hear Mr B is having financial difficulty but as it stands I don't think there is anything Prudential can do to help. A contract has been signed for it to pay Mr B his annuity for life and legislation doesn't allow for further changes to be made. Prudential has to follow the rules set by the regulator and can only offer Mr B the options it's allowed to offer. So it wouldn't be fair to say it had done anything wrong.

So in conclusion, I think that the recommendations Prudential made were suitable for Mr B. It covered all the key points about what Mr B was signing up for when he chose to take his benefits. So it follows that I don't uphold Mr B's complaint.

my final decision

I don't uphold Mr B's complaint and I make no award.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 24 November 2018.

Simon Hollingshead
ombudsman