

complaint

Mrs L's complaint is about her late husband's annuity that was set up by The Prudential Assurance Company Limited (Prudential) on a single life basis.

background

Mr L had an existing pension plan with Prudential. In January 2009 he was sent a Pensions Options Selection form. At this point he was approaching his retirement date. The pension options were based on an assumption that Mrs L was three years younger than Mr L.

Mr L asked for revised quotations including a spouse's pension, and the option to increase at 5% per annum. Mrs L's correct date of birth was provided at this time. Prudential issued a first illustration setting out the retirement options assuming Mrs L was three years younger.

Mrs L has said that following the receipt of this illustration her husband called Prudential and he was told that because Mrs L was quite a few years younger that a joint life annuity was not available.

Prudential says it then issued a second illustration which included a spouse's pension using Mrs L's correct date of birth. Mr L then submitted the Pensions Option form and selected a single life pension with a five year guarantee. This pension was set up by Prudential. Sadly, Mr L passed away in 2012 and the pension continued to be paid until the end of the five year guarantee when it stopped.

When Mrs L contacted Prudential in 2013 she wanted to know how long the policy would last. She said the plan was sold through an adviser and the adviser had said that unless Mrs L's date of birth was on or before a certain date she was not eligible for a spouse's pension.

Prudential did not uphold the complaint and said in summary –

- A quotation was generated on 21 April 2009 and sent to Mr L on 22 April 2009. Where it was unsure of a spouse's date of birth, it assumed a woman is three years younger than her husband. This was why they used the default assumption. But, this didn't mean that Mr L could not choose a joint life annuity.
- It had checked its systems and could see that a second quotation was generated on 22 April 2009 and was sent out on 23 April 2009. This was based on Mrs L's correct date of birth. It couldn't explain why two quotations had been sent on consecutive days, one with an assumed date of birth.
- It was sorry if Mrs L's late husband was under the impression he could not select a spouse's pension. However, based on the information available, it believed a correct quotation was sent to Mr L based on Mrs L's correct date of birth.
- The annuity on the basis selected, was a single life annuity with a five year guarantee.

Mrs L responded saying they only received one quotation with the incorrect date of birth shown, and referred again to the conversation Mr L had with Prudential.

Prudential responded making the following comments:

- It was unable to find evidence of the conversation that Mr L had with one of its staff in April 2009.
- It did not impose any limit to the age difference between spouses.
- In arriving at the level of income payable from a policy, it would take into account the customer's age and life expectancy. If a spouse's pension is chosen it also takes account of the spouse's age and life expectancy. A younger spouse would lead to a lower annuity for a given policy fund value.
- It was sorry if Mr L did not receive the second quotation but its systems showed it had been sent.

The adjudicator didn't uphold the complaint and explained that whilst he didn't disbelieve that Mr L thought he was unable to add a spouse's pension, there was no evidence to show that any of the Prudential employees said this or confirmed this in writing.

Therefore based on the documentary evidence the adjudicator considered that the annuity was set up in line with the instructions received.

Mrs L responded several times saying that –

- Prudential shouldn't have issued an illustration with an assumed date of birth, and why use three years, why not two or three when there are a variety of age gaps between spouses.
- Her husband did ask the Prudential for an accurate quotation based on her correct date of birth when he received the quotation with her assumed date of birth on. This is when the member of the Prudential staff said to her husband that he could only choose a single life annuity because she was born after a certain date.
- When the Prudential received the quotation generated on the 22 April 2009, with her incorrect birth date, completed and signed by her husband they should have cancelled the quotation, and sent a letter explaining what had happened.
- She spoke to a number of different people at Prudential recently and they all said a quotation would be produced on the date of issue. She was upset at the contradictory information being provided by Prudential.

my findings

I have considered all the available evidence and arguments to decide what is fair and reasonable in the circumstances of this complaint.

It is clearly difficult to investigate a complaint such as this where the evidence from the time is limited and there is no call recording to confirm what was said. I have largely based my decision on the documentary evidence available.

It is common for insurers such as Prudential to issue initial illustrations based on assumed dates of birth for the spouse. The default assumptions made do vary between providers but in my experience age gaps of three or four years are usually made. I do note that at the time the Prudential did have Mrs L's date of birth but didn't use it.

I have now considered why it is likely that the illustrations were issued on consecutive days. In my opinion a likely explanation is that on receipt of the incorrect illustration Mr L contacted Prudential and asked for a new quotation based on his wife's correct date of birth.

It appears that on receipt of the first illustration Mr L contacted Prudential and asked for a new illustration based on his wife's actual date of birth. Having requested a revised illustration I consider that if this had not arrived, that Mr L would have chased Prudential for a copy of the new quote.

Mrs L has stated that they didn't receive the second illustration. It seems to me if Mr L hadn't received the illustration that he asked for then he would have chased up Prudential for a copy of the new illustration.

I also consider that on receipt of the second illustration Mr L would have noticed a significant drop in his pension payments if a spouse's pension was to be provided.

Mr L selected 'Option 2' on the illustration. This option provided a tax free cash sum and a single life income payable quarterly, throughout Mr L's lifetime and guaranteed period of five years.

I note that Prudential set up the annuity as requested and it would then have sent the documents to Mr L. The annuity documents would have set out very clearly to Mr L that the annuity had been set up on a single life basis in line with his choice.

If Mr L had wanted to select a joint life annuity then I consider that he would have contacted the Prudential immediately and requested that they change the annuity and issue new documents. There is no evidence that Mr L was unhappy with the documents that he received and I have therefore concluded that they did in fact reflect the benefits that he had selected.

I appreciate that Mrs L feels that her late husband was misled at the time the annuity was setup and I do also sympathise. But I agree with the adjudicator that there is insufficient evidence for me to conclude that Prudential has acted incorrectly.

my final decision

My final decision is that I do not uphold this complaint and do not make an award.

Under the rules of the Financial Ombudsman Service, I am required to ask Mrs L to accept or reject my decision before 22 May 2015.

Emma Ali-Noor
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