

complaint

Mr P complains that The Prudential Assurance Company Limited will not allow him to cash in his annuity.

background

In 2010 Mr P took enhanced tax free cash from his pension plan and used the remainder of his fund to purchase a lifetime annuity with Prudential. The purchase value was £5,542.33 and provides Mr P with an income of £233.64 per year, for the rest of his life.

Recently Mr P asked Prudential if it would allow him to cash in his annuity as he would like the lump sum to help his son with his studies. Prudential didn't agree to this. It explained that legislation does allow for annuities under £10,000 to be cashed in. But this is at the discretion of the provider and Prudential does not permit this, regardless of the value of the policy.

Mr P was unhappy with this so came to our service. An investigator here looked into the complaint and thought Prudential hadn't done anything wrong by not agreeing to pay the remainder of his annuity as a lump sum. Prudential also looked into the way it handled the complaint and paid Mr P £125 for the service it provided. Mr P remained unhappy so the complaint has come to me for a decision.

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 have come to the same conclusion as our investigator.

Prudential is contracted to pay Mr P an annuity for the rest of his life. The terms of Mr P's policy don't include any provision allowing him to cash in or sell his policy. The Key Features document says:

WARNING – this pension is designed to provide an income and has no cash-in value at any time.

So I'm satisfied Prudential is entitled to refuse to do as Mr P wishes.

The legislation Mr P and Prudential refer to allows customers to cash in their annuities if they are worth less than £10,000 – which his is. But the government also said that the policy provider needs to agree to this. Prudential has told Mr P and us that it doesn't allow this. I can appreciate Mr P's disappointment, but it isn't for me to interfere with Prudential's decision in this regard.

Our investigator explained to Mr P that there is currently no secondary market for annuities. This was discussed by the government but it did not proceed with the legislation to enable it to happen. He might be able to sell his annuity in the future, however this would only be possible if the law is changed.

I appreciate that the money from the annuity paid to Mr P as a lump sum would be of help. But Prudential isn't obliged to pay the money out in that way. Although I realise that my

decision will be very disappointing for Mr P, I'm satisfied Prudential is allowed to turn down his request for what remains of his annuity to be paid in a lump sum.

Prudential has paid Mr P £125 for the way it handled his complaint. Having looked at what happened I'm satisfied this is a reasonable amount of compensation for how the complaint was handled.

my final decision

For the reasons I've explained above, my decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr P to accept or reject my decision before 17 January 2019.

Warren Wilson
ombudsman