

complaint

Mr B complains about The Prudential Assurance Company Limited (Prudential) advice to invest in a Teachers' Additional Voluntary Contribution (TAVC) pension plan rather than purchase additional years in his Teachers' Pension Scheme (TPS).

background

Mr B took out a TAVC plan in 2000 when he was 48 years old, he had just started a new job and says his planned retirement age was 65. The TAVC policy was set up with a starting contribution of 6.4% of Mr B's salary per year. Mr B increased contributions to his TAVC plan in 2002 and 2004. Mr B retired in February 2013 and took the benefits from his policy.

Mr B says he was advised to take the TAVC by Prudential. He's also said he wasn't aware of the option to buy added years in the TPS and had he been, he would've done so. He complained to Prudential about this.

Prudential looked into Mr B's complaint but didn't agree it had done anything wrong. It said it wasn't able to locate the original paperwork from when Mr B took out the TAVC. But its application form at the time would've made him aware of the added years option. So it didn't agree the TAVC was mis-sold.

Unhappy with this response Mr B referred his complaint to us where one of our investigators looked into it. Our investigator couldn't say whether Mr B was told about the added years option. But he thought even if he had been made aware, he wouldn't have taken this option due to the high cost of buying the maximum number of years. So the investigator didn't think the TAVC had been mis-sold.

Mr B didn't agree. He said he was made aware of the option to take added years when he took the TAVC, but wasn't made aware of the benefits of this. He also said that the application form used by Prudential has since been found by the industry regulator to not be fit for purpose. He asked for an ombudsman to review the complaint. So it's been passed to me.

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 originally told us he wasn't made aware of the option of buying added years. He's since told us he was made aware of this option, but wasn't made aware of the benefits of it. The sales representative was only authorised to provide advice on Prudential products; they couldn't have advised Mr B on the added years option. All the representative had to do was make Mr B aware that added years were an alternative option and refer him to the TPS booklet for further information. So I wouldn't have expected the adviser to discuss the benefits of added years.

Mr B took his policy in 2000, around 19 years ago and the original paperwork isn't available due to the amount of time which has passed. So it's difficult to know with certainty what was discussed. Although Mr B has now said he was told about added years, it's possible his recollection of what was discussed has faded over time. So I have thought about the possibility Mr B wasn't told about added years at all. And I've gone on to think about what I think he would've most likely done had he been told about them.

Taking into account Mr B's age and length of service at the time, he wouldn't have had the chance to accumulate enough years to gain maximum benefit from his scheme. Mr B has told us that he joined the TPS in 2000 - at around the age of 48 - and his normal retirement age was 60. This means he would have been around 28 years short of receiving maximum service from the scheme at retirement. Mr B initially chose to contribute 6.4% of his annual salary to the TAVC. Had he paid the equivalent amount to the added years option instead, this would have only bought him a few of the missing years. And I think that it would probably have been shown that the projected benefits from the TAVC would be greater than the projected added years benefits. So it's difficult to say now that Mr B would definitely have considered it the cost effective or affordable option, when compared with the projected benefits available from investing in the TAVC plan.

We've been provided with copies of the forms Mr B completed when he increased contributions to his TAVC in 2002 and 2004. And he signed to say he was aware of the added years option, but chose not to explore this option further. So I'm satisfied that from 2002 onwards Mr B was aware that added years were an alternative option for topping up his pension provision but he made the decision to continue his TAVC as opposed to purchasing added years. I think this also suggests that, had he definitely been told about them in 2000 during the original sale, he would also have made the same decision.

I do appreciate that investment returns achieved by the TAVC were much lower than expected. But it's only with the benefit of hindsight that we know that Mr B may have been better off buying added years. I can't use information that wasn't known at the time to make my decision.

Lastly, I've considered Mr B's comments about the application form being found to be not fit for purpose. I don't think I need to make a finding on this point. The reason I say this, is that regardless of what Mr B was or wasn't told, I don't think that Mr B would've purchased added years for the reasons I've already given.

I realise my decision is likely to disappoint Mr B. But having taken all the available evidence into account and for the reasons above, I'm not persuaded he would have bought added years if he'd been given clearer information by Prudential.

my final decision

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

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 21 April 2019.

Rob Deadman
ombudsman