

complaint

In 1990 Mrs B received advice from a representative of The Prudential Assurance Company Limited (“Prudential”) to start a personal pension plan. Mrs B’s complaint is that she believes she should have been sold an ISA or another savings vehicle instead of a personal pension.

background

The adjudicator who investigated Mrs B’s complaint concluded that it should not be upheld. In her assessment of the case, she explained that she had reached this view because:

- at the point of sale, Mrs B did not have access to an occupational pension scheme and had no other pension provision set up to save for retirement
- it was not known at that point whether Mrs B would be eligible to join an occupational pension scheme in the future (and the 1995 ‘financial review’ fact find records that no occupational scheme was yet available to her then)
- Mrs B was 23 years old when the policy started, and she did not think Mrs B was too young to start saving for retirement at that age
- the contributions of £20 per month were affordable, given Mrs B’s earnings
- contributions were paid into the with-profits cash accumulation fund, which she considered to be a lower to medium risk investment
- there was no mention in Prudential’s paperwork of Mrs B and her partner wishing to save for a house deposit or a wedding instead of a pension
- Mrs B had the right to cancel her policy at the time it was taken out, if she had felt that her main concern was to save for the purchase of a house or for a wedding
- the above circumstances indicated that the recommendation to start a personal pension was suitable to Mrs B’s needs at the time

Mrs B had also mentioned being unhappy about the annual payments she would receive from the pension plan, as she considered that the amount was too small to be useful. The adjudicator explained that the projected benefits at Mrs B’s retirement age were lower due to two factors. First, the cost of purchasing an annuity had increased. Secondly, fund growth has been less than anticipated. This did not mean that the original recommendation was unsuitable. The adjudicator explained that Mrs B may have the option to transfer the value of her personal pension into another arrangement, such as one of her occupational schemes.

Mrs B did not agree with the adjudicator’s findings and asked for an ombudsman to review her complaint. The reasons she gave were:

- Prudential was unlikely to have recorded that they were saving for a house deposit or a wedding at the time
- Prudential should allow the policy to be surrendered as it is worth less than £5,000, so it is not valuable as a pension but could be useful to her family now as a lump sum
- she still believes she should have been advised to start a savings account or an ISA, as this would have been more suitable to her needs at the time
- she noted a BBC news article on pensions mis-selling, particularly in relation to under 35s who had been advised to opt-out of an occupational scheme and start a personal pension, and felt that this is what she and her husband had been advised to do
- she believes the pension was sold by the adviser just to gain commission

Prudential made no further submissions.

my findings

I have considered all the available evidence and arguments to decide what is fair and reasonable in the circumstances of this complaint. Having done so, I have reached the same conclusions as the adjudicator, and for broadly the same reasons.

I am satisfied that the advice to start a personal pension was likely to be suitable to Mrs B's needs at the time, for the reasons highlighted by the adjudicator (and set out in the background section above).

When the personal pension plan was sold, it appears that Mrs B did not have access to an occupational pension scheme and had no other pension provision. The mis-selling article that Mrs B referred to relates to advice provided to people who had access to an occupational pension scheme, but were advised not to join or to opt-out of their employer's scheme. This was not Mrs B's position. The fact that she later gained access to an occupational scheme does not mean that she was badly advised at the time the personal pension plan was recommended to her. It also could not be known at the time that she would later gain access to an occupational scheme, and if so, when and on what terms. I cannot therefore apply the benefit of hindsight to reach a conclusion that Mrs B was badly advised.

Mrs B has said that she should have been advised to set up an ISA or some other savings product, as she wanted to save for a house purchase and a wedding at the time. However, in my view, Mrs B ought to have been able to understand that starting a personal pension plan to save for retirement was a long-term investment. If she had other needs which made Prudential's recommendation unsuitable, this should have been clear to her at the time. She also had the option to cancel at the outset of the policy, if she was unhappy with the advice.

There are strict tax rules that govern pension plans. The tax rules do not currently allow Prudential to surrender Mrs B's policy and pay her the lump sum that she would like to receive. This option may be available to her at age 60, although it will depend on the tax rules that apply at that time. I understand that Mrs B may be disappointed with what her personal pension is currently worth. However, it will be available to provide additional benefits at retirement. Alternatively, as the adjudicator referred to in her view, there may be an option to transfer the fund to another of Mrs B's pension arrangements. I understand that Prudential has already supplied Mrs B with a transfer value statement.

my final decision

I do not uphold this complaint and therefore I make no award.

Venetia Trayhurn
ombudsman