

complaint

Mr W complains about advice given by Abbey Life Assurance Company Limited to contract out of the State Earnings Related Pension Scheme (SERPS).

background

Mr W said he was advised by Abbey to contract out of SERPS. He said he felt that he was now worse off and the investment performance of the funds hadn't been as good as he expected.

Abbey said it had provided suitable advice at the time based on Mr W's age, income and the fact his employer didn't provide a workplace pension. It noted however that his contributions had been invested in an international fund and a managed fund. It said the international fund had an adventurous risk profile and might not have matched his needs. However it had recalculated the investment as though it had been entirely invested in the managed fund. This showed that he was better off and hadn't suffered any loss. It offered to allow him one free investment fund switch.

The adjudicator said he thought Abbey had treated his complaint fairly. He said that based on his age at the time and income the model suggested that it could be beneficial for him to opt out. In addition his employer didn't provide a pension scheme. So it seems that the advice was suitable at the time and the notes also suggested that it might at some future point be beneficial to contract back in. Abbey had provided illustrations of investment performance but these were not guaranteed.

Mr W didn't agree. He said that he'd been told he'd be at least 50% better off and it was clear that wasn't the case.

my findings

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint. While I am sorry to disappoint Mr W I am not upholding this complaint.

Mr W says he was told he would be at least 50% better off. I haven't seen any written evidence to support that claim. But I have seen a copy of the type of illustration and notes issued at the time. These include a note to the effect that "*if you are under 30 your National Insurance Contributions could well produce three times as much ...as the State Scheme*". Given this I think it is quite possible that statements suggesting he could be 50% better off may well have been made. However given the wording in the brochure on balance I think it should've been clear this would depend on investment performance and other factors explained in the brochure.

I have seen a copy of the information Abbey says would've been provided re contracting out. This includes information that indicates that it would be beneficial for someone of Mr W's age and income to contract out of SERPS but this depends on future investment returns. The investment returns were illustrated based on regulator guidance at the time. So it seems that the advice was suitable at the time.

The brochure is clear that returns depend on investment returns. I say that because the notes say the illustrations don't represent the upper or lower limits of the possible amount of

future benefits. It warned the actual future value would be affected by the future movement in unit prices which could go up as well as down and would also depend on other issues such as charges, future increases in earnings and future terms for converting cash into an annuity.

I am satisfied having reviewed these that the advice to contract out was suitable based on the models and illustrations.

I am also satisfied that the illustration didn't guarantee a particular level of investment return and were clear that this could vary.

I note that Abbey have accepted that the use of an international fund might not have been appropriate and offered a free fund switch and confirmed that no financial loss has been suffered based on assuming the investment had been 100% in the managed fund.

my final decision

I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr W to accept or reject my decision before 12 May 2019.

Colette Bewley
ombudsman