

complaint

Mr E's complaint is that The Prudential Assurance Company Limited ("Prudential") failed to honour the fund value shown on a benefits projection for his personal pension plan, which was issued shortly before his selected retirement date.

background

Mr E received a letter from Prudential in January 2013, which included a "*Personal Pension Projection*". This projected that if Mr E's investments grew at a rate no higher than Prudential's then current bonus rates, his fund on his selected retirement date in March 2013 would be worth £91,620. The accompanying notes stated:

- *"These figures are not guaranteed. What you will get back depends on how your investments grow.*
- *You could get back more or less than this. ...*
- *Any final bonus included is not guaranteed and may be reduced or suspended at any time."*

Mr E telephoned Prudential, and then responded by returning the "*Notification of Intention to Take Benefits*" form, on which he confirmed his intention to transfer his fund on his selected retirement date to a Self-Invested Pension Plan ("SIPP").

Prudential wrote to Mr E later that January, acknowledging receipt of the returned form, and explaining that the benefits pack (including Open Market Option forms) would be issued to him at the start of February 2013. The letter stated:

"The retirement fund value in the quotation will also be the amount available for transfer to another provider or any other scheme. ...The forms that will be enclosed in the benefit pack can also be utilised to transfer the pension to another pension provider."

Prudential issued its benefits pack to Mr E early in February 2013. Its cover letter stated: *"For plan number [xxx] we have switched your investment into the Cash fund in accordance with the plan conditions. This allows us to guarantee the fund at the selected retirement age of 65 for this plan only. This switch cannot now be cancelled."*

The benefits pack included a "*Personal Pension Quotation*", which stated that on Mr E's selected retirement date his fund would be worth £91,356. This was £264 less than the projection provided by Prudential in January 2013. The accompanying notes included:

- *"We guarantee to hold these figures for 30 days from today.*
- *We have switched the units under policy numbered [xxx] into the cash fund under the terms of the policy rules. This allows us to guarantee the benefits available."*

Mr E raised a complaint with Prudential, as he considered that it should honour the fund value stated in the January 2013 projection. He made the following points:

- The figure given in January was a minimum amount assuming the fund grew no higher than Prudential's then current bonus rates – he therefore naturally expected at least that amount, and hopefully in excess of that amount, for his final transfer value.

- Prudential's response later in January had stated "*the retirement fund value in the quotation will also be the amount available for transfer*". He took this to be a very clear statement that the January fund value was the amount available to transfer.
- He had been given other projections in September and October 2012 which were both in excess of the new reduced figure quoted.
- He had made it clear by telephone and in writing that he did not wish to transfer the fund until his selected retirement date. He had not requested that Prudential switch his funds into the cash fund, nor was he advised by Prudential that this would occur.

Prudential rejected Mr E's complaint. In summary, it said:

- The January projection assumed that investment remained in its With Profits fund until his selected retirement date.
- The quotation had clearly stated that the figures shown were not guaranteed.
- On the same date that the January projection was issued, Mr E had spoken to Prudential by telephone and had obtained a current transfer value figure of £91,120.
- Mr E had informed Prudential that he wanted to take a transfer on his selected retirement date. In accordance with its policy terms, his investment was switched from the With Profits fund to the cash fund one month before benefits were taken. This was done to protect the fund from any sudden fluctuations in the stock market.
- The switch had been confirmed in the declaration section of the form Mr E had returned. Mr E had not confirmed that the switch to cash should not go ahead.
- It concluded that, having no evidence that Mr E had been told that the January projection was a guaranteed valuation, it was unable to agree to settle his benefits based on a valuation he was not entitled to receive.

Mr E disagreed with Prudential's response. In particular, he made the point that the January projection should have been a true reflection of what the value of his fund would be at his retirement date. Therefore, it should have reflected Prudential's intention to switch to the cash fund one month before, instead of being based on the assumption that the investment remained in the With Profits fund. He also considered that the wording of the January projection had been specific about the basis of the projection, and the explanation for the fund difference now given by Prudential did not correspond with this – in particular because Prudential had confirmed that in fact its bonus rates had not fallen over the period.

Prudential said that it did not allow for the switch to cash when it provided the January projection because, prior to Mr E returning its "*Notification of Intention to Take Benefits*" form, there was no certainty that Mr E would apply to take his benefits from his selected retirement date. He could have chosen to leave the pension fund invested at that date. It also said that its follow up letter stating "*the retirement fund value in the quotation will also be the amount available for transfer*" referred to the quotation that would be issued in February 2013, rather than the projection that had been issued earlier that month.

Mr E brought his complaint to this service. The adjudicator who investigated his complaint concluded that it could not be upheld. In summary, she said that the January quotation had not been guaranteed and was just an estimate at the time.

Mr E did not agree with the adjudicator's findings. He explained that he had told Prudential by telephone of his intention to transfer his fund to his SIPP at his retirement date, prior to it sending out the January projection. Therefore, he considered that Prudential should have known that his fund would need to be switched to cash and its January projection should

have taken that into account. He also maintained that Prudential had confirmed in its follow up letter that the January projection was the value that would be available for transfer.

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 carefully considered the wording of the information pack sent to Mr E in January 2013, including the "*Personal Pension Projection*", I am satisfied that it was made sufficiently clear to Mr E that the figure of £91,620 quoted was a projection, and was not guaranteed.

The letter Prudential issued later that month could have been worded more clearly, so I can understand why Mr E reads it as he does. However, I am unable to agree with Mr E that the letter confirmed that the January projection of £91,620 was going to be the amount available for transfer. I consider that the reference to "*the quotation*" in the statement "*the retirement fund value in the quotation will also be the amount available for transfer*" has to be read in the context of the preceding paragraph. This paragraph explained that Mr E's benefit pack would be sent out to him early in February 2013.

In my view, "*the quotation*" referred to the valuation that would shortly be sent to him with the benefits pack. This is supported by the fact that the projection sent out to Mr E in January had been clear that the fund value "*projected*" was not guaranteed and could change. By contrast, the February benefits pack made clear that the fund value and annuity rates quoted were "*guaranteed for 30 days*". It also explained that the switch to the cash fund at the beginning of February allowed Prudential to make this guarantee (though I assume this statement must refer to guaranteeing the fund value rather than the annuity rates offered).

For these reasons, I do not agree that Prudential had provided confirmation to Mr E that a transfer value of £91,620 would be available to him from his selected retirement date.

Mr E appears to accept that Prudential was entitled to switch his investments to the cash fund one month ahead of his retirement date. His complaint is that Prudential knew before it issued its January projection that the switch to cash would need to take place, because he had already notified it by telephone that he intended to take a transfer. Therefore, he considers that it should have taken the switch to cash into account when calculating the fund value.

When Prudential sent its information pack to Mr E in January 2013, it issued the pack on a standard basis; ie it set out Mr E's various options, and asked him to return a "*Notification of Intention to Take Benefits*" form. In particular, it asked Mr E to confirm if he intended to take his benefits at his selected retirement date, or if he wished to defer taking his benefits.

Prudential says it required that information in order (amongst other things) to determine whether Mr E's investments should be switched to the cash fund one month before his selected retirement date, or should continue to be invested in its With Profits fund.

Mr E's complaint stems from the fact that Prudential did not take a more bespoke approach at this stage, as it already been informed by telephone of Mr E's intention to take a transfer.

It could therefore have sent him a projection of his transfer value at his selected retirement date, with the assumption made that a switch to the cash fund would be taking place in early February. This would have meant that the projection was calculated on a more accurate basis.

I accept that Prudential could have taken this approach, and it may have been better for Mr E if it had done so. However, on balance, I do not consider it to have been *unreasonable* for Prudential to issue its standard information pack to Mr E at this stage, even after being informed by telephone that Mr E had an intention to take a transfer. I have reached that conclusion because, at that stage, it was still open to Mr E to change his mind, and to decide instead to convert his fund to an annuity, or to defer taking his benefits and remain invested.

As an alternative, it would also have been better if the January projection had expressly flagged up the impact that a switch to the cash fund would have on the final fund value.

However, I consider that Prudential made it sufficiently clear that the projection was not guaranteed, and more generally that the information provided in the pack was subject to a number of variables, depending on the option Mr E chose.

Although I have acknowledged that Prudential could have taken the switch to cash into account when preparing the January projection, or alternatively flagged up that a switch would impact on final fund values, I do not consider that this ought to change the outcome in this case. Had Prudential done either of these things, Mr E would have been better informed that the transfer value of his fund would be in the region of £91,356.

If I were to conclude that Prudential misrepresented the amount that Mr E would receive (by failing to take account of the switch to the cash fund) the result would be that Mr E would be entitled to be put back into the position he would have been in, had that misrepresentation not occurred. This would not therefore result in him becoming entitled to the higher figure. I take the view that, had he known the correct, lower transfer value available to him, he would not have done anything differently. Consequently, I do not consider that he has suffered any financial loss as a result of Prudential's actions, and I am satisfied that he is not entitled to receive the higher amount set out in the January projection.

my final decision

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

Venetia Trayhurn
ombudsman