

## **complaint**

Mr H has complained about The Prudential Assurance Company Limited (Prudential) because it will not cancel his annuity.

## **background**

Mr H had two pension funds with other providers. In January 2014 he used both his pension funds to buy an annuity with Prudential. The annuity started in February 2014.

In March 2014 changes to the way people could take their pension benefits were announced in the Budget. The changes included the option to take the whole pension fund in one lump sum subject to tax.

As a result, Mr H wrote to all three firms including Prudential. He told Prudential that he wanted to cancel the annuity he had chosen.

Prudential replied to Mr H's request and explained that it would not cancel the annuity. It explained that the annuity had started and the cancellation period had expired.

Mr H then brought a complaint to this service. An adjudicator didn't uphold his complaint. So the complaint is now with me for a decision.

When Mr H first chose his annuity in late 2013, Prudential sent him a quotation. The basis for the quotation was a full transfer from the two firms. Mr H then told Prudential that he was receiving the tax free cash directly from the firms. The remainder would be transferred to Prudential to provide an annuity income.

Upon further discussion Mr H cancelled that annuity in January 2014 (within the 30 day cancellation period). This was because Prudential would have to set up two annuities and each would be subject to charges. As a result Prudential sent him a revised quotation. Mr H then arranged for each of his pension plan providers to arrange a full transfer back to Prudential. Under the new arrangement, Prudential paid Mr H the tax free lump sum he was due and set up one annuity for him which started in early February 2014.

## **my findings**

I have considered all the available evidence and arguments to decide what is fair and reasonable in the circumstances of this complaint.

The key issue in this complaint is that Mr H no longer wants to receive his retirement income by an annuity with Prudential. Mr H's decision seems to have been triggered by the changes announced in the Budget of March 2014. The changes meant that, in certain circumstances, individuals will be able to take their pension plans as one lump sum (subject to tax).

Following the Budget, the Regulator (the FCA) introduced guidance to help businesses make changes to their operational processes during the period between the budget and the date when most of the changes were likely to be implemented.

The FCA guidance didn't apply to individuals who had purchased an annuity before the March 2014 Budget where the cancellation period had expired.

Acting on this guidance and other industry guidance, a number of insurance companies made changes to help consumers make decisions about their retirement income.

These changes included extending the cooling off period to allow consumers more time to decide whether to choose an annuity or not.

Prudential extended the cooling off period until 28 March 2014 for all consumers whose quotes were pending, and also contacted all those consumers who had recently purchased an annuity who were still within the cooling off period.

Mr H, however, fell into neither category of these consumers as he had already bought an annuity which had started on 7 February 2014. Therefore as at the date of the budget announcement, 19 March 2014, Mr H's cooling off period had already expired. Mr H only gave his notice on 22 March 2014, which was outside the cancellation period.

I have looked at the key features document which Prudential sent Mr H with its initial quote. That document explained the cancellation period that would apply. It states that the cancellation period provides a consumer with 30 days from the first quotation. It also explains that if the cancellation form arrives after the 30 day period Prudential will not be able to cancel the annuity.

In Mr H's case, initially this would have been 30 days from 3 December 2013. But Prudential sent a further first quotation based on the policy values on 6 January 2014. Either way, the 30 day cancellation period expired well before the March 2014 budget.

Prudential sent Mr H a final quotation when the annuity was set up. But this doesn't trigger the cancellation period. Even if it did, it would have expired on 10 March 2014.

Prudential has said that it will not cancel the annuity that it has started paying to Mr H. Prudential did speak with the two firms that had transferred Mr H's pension funds to it. One of the firms (which had held most of Mr H's pension fund) told Prudential that it would not be able to accept the monies back. Prudential would not be able to cancel that aspect of the transaction even if it had indicated its willingness to do so.

Mr H has complained that Prudential made a substantial error in its letter of 29 April 2014 to him. That letter referred to Mr H's extended cancellation period. The business told this service that this was an unfortunate error. I am not persuaded that the business needs to pay compensation to Mr H as a result.

Mr H has complained that one of the transfers paid to Prudential was reduced. This is being looked at by the service separately.

Mr H has queried why the annuity rates varied between the quotation he received directly and those provided online. The quotation that was sent direct to Mr H, showed an initial charge of £475 + 2% charge to cover costs associated with setting up the annuity.

The online quotation included an initial charge of £475 and a reduced setting up charge of 0.5%. Any variance in charging structures for the setting up of annuities would be a commercial decision for the provider and is not a matter this service will consider in this case.

Having carefully considered the material points in this complaint I cannot conclude that Prudential has treated Mr H unfairly.

**my final decision**

I do not uphold Mr H's complaint against The Prudential Assurance Company Limited.

Under the rules of the Financial Ombudsman Service, I am required to ask Mr H to accept or reject my decision before 14 September 2015.

Emma Ali-Noor  
**ombudsman**