complaint

Mr D complains that The Prudential Assurance Company Limited unfairly reduced the amount transferred from his pension plan into his retirement account by £14,000.00 and wants this restored.

background

Mr D intended to take his pension in May 2017 on his 70th birthday. He got an illustration from the Prudential on 20 March 2017 which showed the plan value to be £218,118.77 at that time. He got a letter again on 27 April showing the plan value to be similar at £218,118.00. But when the transfer took place on 12 May 2017 into his retirement account, the amount transferred was only £204,481.28. Mr D says he understands that investments can go up or down but doesn't understand how his plan would lose about £14,000 of its value in such a short period of time.

Prudential says that Mr D's pension was invested in a with-profits fund. The value of the pension is affected by bonuses which are applied to this fund. Mr D's pension fell in value because Prudential revised the bonuses in this fund downwards on 1 April 2017.

our investigator's view

Our investigator noted that the illustration said that the value of Mr D's pension wasn't guaranteed and Prudential had provided a reasonable explanation for the fall in value of Mr D's pension So on the main point she didn't recommend that this complaint should be upheld.

But our investigator felt that Prudential hadn't provided Mr D with an accurate valuation of his pension in April 2017 as the information it provided at that time didn't take into consideration the effect of the bonus declaration of 1 April 2017. So, she recommended that this complaint should be upheld to that extent and Prudential should pay £200 to Mr D for the upset he experienced in getting an inaccurate valuation.

Prudential didn't agree saying that the figure referred to in the letter sent in April wasn't an illustration produced by Prudential but is taken from an online application produced by Mr D's financial adviser

my provisional findings

I noted that there were a number of issues in this complaint:

1. Fall in value of Mr D's pension:

Between receiving the illustration of the value of his plan in March and transferring his fund to a Prudential retirement account in May the value of Mr D's pension fell by £14,000. I noted that the illustration produced on 20 March set out the value of Mr D's share of the underlying assets in the with-profits fund at that time and said that this wasn't guaranteed.

I recorded that the value of that fund was subject to a periodic revision including when Prudential updated its bonus rate to reflect the most recent performance of the fund and market conditions. A revision had taken place on 1 April 2017 when the bonus rate went down.

I noted that this meant a lower additional bonus (in the form of annuity) added to what had already been accrued as well as a change to the annuity rates used to convert the annuity to a cash value. I said that the combination of these factors led to a reduction in the fund and meant a decrease in the transfer value of Mr D's plan from what he had been told in March.

I said that Prudential revised its bonuses on 1 January and 1 April each year and that such adjustments could unfortunately result in a reduction in the value of a policy-holder's fund as it had done for Mr D. But I couldn't fairly say that Prudential had done anything wrong in coming to its valuation of Mr D's plan.

2. Letter of 27 April 2017

The other issue I identified was the letter dated 27 April 2017 from Prudential. As this referred to the pre 1 April valuation of the fund and didn't take account of the recent rate changes, our investigator had thought that this was misleading.

But I investigated the documentation and concluded that the transfer value which appeared in the application which Prudential then sent with other documents to Mr D on 27 April came from Mr D's adviser and not Prudential. So, I said that it was difficult for me to uphold this complaint against Prudential if it wasn't responsible for the error.

For these reasons I said that I couldn't uphold this complaint but invited further submissions from Mr D and Prudential. Prudential had no further comment to make. Mr D said he was disappointed with my decision and the loss of £14,000 shortly before he took his pension.

my findings

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

I have a great deal of sympathy for Mr D. I've looked again at the evidence, my decision and the further submissions. Mr D had a pension fund with Prudential, the value of which was subject to periodic revision. As I indicated in my provisional decision, I have no evidence that there was any error in the valuations Prudential supplied to Mr D and they appear to be in line with how this fund operated. Nor can I say that Prudential caused the error in the letter of 27 April 2017. For these reasons I can't fairly uphold this complaint.

my final decision

My decision is that I do not uphold this complaint. Under the rules of the Financial Ombudsman Service, I'm required to ask Mr D to accept or reject my decision before 12 August 2018.

Gerard McManus
ombudsman