

complaint

Mr O complains about the income choice plan recommended by The Prudential Assurance Company Limited ("Prudential"). He says by not being advised to take maximum income at onset he has been financially disadvantaged as that maximum level has now reduced. He also says Prudential gave him incorrect information while investigating his complaint.

background

Mr O took out an income choice annuity with Prudential in 2013. He was advised to choose a minimum income which required a 0% smoothed return to be achieved for his income to remain level. The following year Mr O received an option form to change his income level if required. It was noted the income range available had narrowed and the maximum income allowable had reduced.

When his wife got a letter some months later which said that her maximum allowable income had increased, he questioned this with Prudential. He says its responses were inconsistent. It gave incorrect information about the interest rate effect on income levels.

An adjudicator upheld this complaint in part. He said the advice to take out a with-profits annuity was consistent with Mr O's attitude to risk and investment experience. And it was also suitable to set the income at a lower level initially. Mr O should only have drawn the income he needed at outset.

But he said the adviser could have done more to make Mr O aware that his maximum income might reduce in future. This was set out in the key features and especially as Mr O included a 100% spouses pension in his plan.

And he said Prudential caused Mr O inconvenience when dealing with his complaint. It should pay Mr O £450 for this.

Mr O did not agree. He said that with suitable advice, he would have taken the maximum income. As this subsequently reduced he should be repaid the loss of income between these maximum levels.

Prudential also disagreed. It said that Mr O had not had a financial loss. So £200 better reflected his inconvenience.

my findings

I have considered all the available evidence and arguments to decide what is fair and reasonable in the circumstances of this complaint. I have come to the same conclusions as the adjudicator and for the same reasons.

Mr O says he was given unsuitable advice. The adviser did not understand the maximum income available could reduce over time. He says suitable advice to maximise his income initially would have led to him getting more overall income even if the ongoing level reduced.

Prudential does not agree. But it said it had not handled his complaint well. It offered Mr O £200 for this.

I agree with the adjudicator that a with-profits annuity was suitable given Mr O's investment experience and financial situation. It was suitable to recommend an income level consistent with his income needs.

The key features document said:

“Can I change my income?”

At each policy anniversary, you can usually choose a new income from within a range – in the same way you did when your annuity first started. If you want to change your income you need to consider the same factors you did when you chose your starting income. You should also note the income range will narrow as you get older as there is less time for the Required Smoothed Return to take effect. The range will also be restricted if we are paying you your Secure Level. The income range quoted is not guaranteed”.

I've concluded that Mr O should reasonably have been aware from this that his maximum income could be affected if the income range was restricted. But later conversations with the adviser suggest that he did not explain this point and may not have been fully aware of it. Given Mr O's circumstances, the adviser could have done more to highlight an important part of the contract to him.

But I do not think this would have changed his initial advice to take a lower income (as required by Mr O) with potential for an increasing income in retirement. He would not have been aware of how Mr O's income might have changed in the future; this is evidenced by the fact that Mrs O was advised that her maximum income level would be increased on the anniversary of her plan. It is difficult to conclude that Mr O would have acted differently had the adviser discussed the income range more fully. So the initial advice was then suitable.

I have noted what Prudential told Mr O when he sought clarification of his position. I agree inconsistent and incorrect information was given. Prudential has accepted this.

In my view a payment of £450 is fair and reasonable. It reflects both the inconvenience caused by incorrect information and the distress caused by not being told that the income range was likely to be restricted on subsequent anniversaries of his plan, when he was able to vary the income he wanted to receive.

my final decision

Prudential Assurance Company Limited must pay Mr O £450 for distress and inconvenience.

Under the rules of the Financial Ombudsman Service, I am required to ask Mr O to accept or reject my decision before 30 December 2015

Terry Connor
ombudsman