

The complaint

Mrs P complains about the sale of an annuity by The Prudential Assurance Company Limited (Prudential).

What happened

Mrs P had a pension plan with Prudential. She used this to purchase an annuity and the payments from the annuity began in February 2007.

Mrs P complained about the sale of this annuity in 2023. She said Prudential should've told her about the option to search the whole of the market to obtain a potentially better income and referred to the relevant regulations she thought applied. And she said she had health conditions which may have meant she'd be eligible for an enhanced annuity, but Prudential didn't tell her about this option either.

Prudential didn't uphold the complaint. It said the regulations quoted by Mrs P hadn't come into effect until some years after she bought her annuity. And it said it had made her aware of both the "open market" option and the enhanced annuity options when it had written to her a number of times in the months leading up to her retirement date.

Unhappy with this, Mrs P referred the complaint to us. One of our Investigators looked into the complaint but didn't think it should be upheld. She was satisfied Prudential had made Mrs P aware of the option to shop around with other annuity providers and the potential option of an enhanced annuity.

Mrs P didn't accept this and asked for the complaint to be passed to an Ombudsman. So, it's been passed to me to consider and make a final decision.

What I've decided – and why

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

It seems all parties agree that Mrs P's annuity was set up on a non-advised basis. This means Prudential didn't need to check it was right for Mrs P. But it did need to give her enough information on her options. And that's what I've focussed on here when considering Mrs P's complaint.

As our Investigator noted, the regulations, specific to pensions, which Mrs P has referred to weren't in place at the time she bought the annuity. However, there were other, more general rules in place at the time, which said Prudential must pay due regard to its customers' interests, treat them fairly, and communicate clearly, fairly, and not provide misleading information. Furthermore, there was guidance from the Association of British Insurers which set out the best practice for people reaching retirement age. This included sending a "wake up" pack and a "reminder" letter and what they ought to include.

Mrs P's selected retirement date was January 2007. In August 2006, Prudential wrote to

Mrs P reminding her that her chosen retirement age was coming up, this was the “wake up” pack. The cover letter for this reminded Mrs P that she could look into taking an annuity from another provider under the “open market” option. It also enclosed a leaflet called “Getting ready to use your pension”. On the second page of this leaflet, it said:

“You have the right to shop around for the type of retirement income you need.”

On the following page, there was more detail given. Under the header “*taking the open market option*” it explained more about shopping around with other providers. Under the pros and cons section, when talking about the open market option, Prudential said: “*you could end up with more income*”.

Prudential also sent Mrs P a retirement options brochure – the reminder letter – later on. Whilst I won’t quote further details here, this also set out more information about the open market option and told Mrs P she could shop around to see if she could get a different or better income with another provider.

Furthermore, when Prudential wrote to Mrs P confirming the benefits she would be getting under the annuity she had chosen, it again reminded her of the open market option and advised she had 30 days to cancel this annuity and take this option instead.

Based on the above, I’m satisfied Prudential, in line with the rules and guidance in place at the time, took sufficient steps to make Mrs P aware that she could use the open market option and shop around to see if she could obtain a higher income in retirement.

Moving on to whether Prudential took sufficient steps to make Mrs P aware of the potential option of an enhanced or impaired life annuity, I’ve noted that Prudential’s “Getting ready to use your pension” booklet confirmed an enhanced annuity rate may apply if the pension fund, after taking tax free cash, was £20,000 or more.

This leaflet went on to explain that:

‘if you and/or your partner suffer from serious ill-health you may qualify for a higher-than-normal retirement income’.

It later stated, under the header ‘*What if I’m in poor health?*’:

‘If you or your partner is suffering from a serious medical condition, your retirement may not last as long as someone who is in good health. If so, we may be able to pay you a higher-than-normal retirement income from a Prudential annuity.’

And it went on to clarify the nature of the medical condition was relevant to whether Prudential might offer an enhanced rate or not saying ‘*it must be one that’s likely to shorten your life, such as some cancers, diabetes, or disease of the kidneys, heart or lungs*’.

It continues by explaining that Mrs P should complete the enclosed questionnaire if she thought she might qualify for this. And it again encouraged Mrs P to seek financial advice on this matter.

So I’m satisfied that Prudential did enough to make Mrs P aware of the potential option of an enhanced annuity, and what she needed to do if she wished to explore this option further.

In summary, I recognise Mrs P feels disappointed and she thinks she may’ve been able to obtain a higher income in retirement than she currently receives, either with another provider or by way of an enhanced annuity. However, for the reasons set out above, I’m satisfied

Prudential did enough to make Mrs P aware of both these options and put her in the position of making an informed choice. So, I'm not going to ask it to take any further action.

My final decision

I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs P to accept or reject my decision before 11 October 2023.

Rob Deadman
Ombudsman