

## **The complaint**

Mrs M complains that The Prudential Assurance Company Limited (“Prudential”) changed the retirement date on her pension. The retirement date was amended from 3 April 2023 to 3 April 2038 and because of this when Mrs M tried to access benefits in May 2023, she was informed a market value reduction (“MVR”) was being applied to the policy.

Mrs M does not believe the application of the MVR is fair and is a cost she should not have to pay.

## **What happened**

In 1992 Mrs M was advised to move her occupational defined benefit (“DB”) pension scheme to Scottish Amicable. Scottish Amicable is now part of Prudential.

In 2013 The Royal Bank of Scotland (“RBS”) reviewed the advice Mrs M had been given as part of the industry wide Pension Review. The advice was deemed unsuitable, and RBS paid compensation to Mrs M at that time.

Mrs M received annual pension statements from Prudential. These were typically received each February and provided Mrs M with key information about her policy.

Statements from 2020, 2021 and 2023 have been provided and these statements confirm the retirement date of the policy had been set at 3 April 2023.

These statements also provided information on MVR’s and when these might apply. These statements confirmed:

*“Why we’d take an MVR*

*It’s there to protect investors who aren’t taking their money out. An MVR is our way of being fair to all of our With-Profits investors. It makes sure that you get a return based on the earnings of the fund over the time your payments have been invested in it.*

*When we guarantee not to take an MVR*

*We won’t take an MVR from payments we make because of death or when the plan matures.*

*Right now, there are other circumstances when we wouldn’t take an MVR - but these aren’t guaranteed and could change.”*

On 4 October 2022 Prudential wrote to Mrs M at her home address to confirm that the retirement date noted on the pension was approaching. As such Mrs M was asked to consider her options.

This letter stated:

*"It's important to let us know if you intend to change your retirement date, so that we can send you relevant information at the right time. If you want to do this, please call to let us know. We can explain what delaying your benefits means for you and arrange a new retirement date. If we don't hear from you before a plan's retirement date has passed, we'll extend that plan's retirement date to your 75th birthday".*

On 23 January 2023 Prudential wrote to Mrs M again to confirm that the retirement date noted on the pension was approaching.

This letter confirmed that:

*"If we don't hear from you before your current retirement date, we'll extend your plan's retirement date to age 75"*

On 4 April 2023 Prudential wrote to Mrs M to confirm that the chosen retirement date recorded for the pension had passed, and as no instructions had been given the date had been changed to 3 April 2038 when Mrs M attained age 75. It was also confirmed that an MVR was guaranteed not be applied at the new retirement date.

In May 2023 Mrs M contacted Prudential to begin the process of accessing the tax-free cash element of the policy with the remainder to be used to purchase an annuity. During these calls it was established that as the retirement date on the policy had been amended an MVR of around £1,250 was now being applied to the policy. Mrs M was unhappy with this and registered a complaint.

Prudential issued their complaint response on 13 July 2023. This stated that they believed all the correct processes had been followed and as such the complaint was not being upheld.

Our investigator looked into things and concluded that Prudential hadn't done anything wrong.

The investigator noted that pension statements issued in February 2021 and February 2022 confirmed Mrs M's retirement date as being April 2023, that Prudential would contact Mrs M six months before this to explain her options and gave examples of when an MVR would / would not be applied to the pension. Additionally, letters were sent in October 2022 and January 2023 which detailed Mrs M's retirement options and confirmed that if no action was taken Mrs M's retirement date would be amended to her 75th birthday.

Given this, the investigator did not uphold the complaint.

Mrs M did not agree stating that if her policy had remained in her DB scheme, she would have been able to take benefits at age 55. Whilst the suitability of the advice had been assessed, deemed unsuitable and redress had been paid by RBS, Mrs M stated that Prudential should take joint responsibility for moving her DB pension and not now penalise her for accessing her benefits.

In response it was explained that the complaint at hand only related to the amendment of Mrs M's retirement date and the imposition of the MVR, and that if Mrs M now wanted to complain about Prudential's role in the original transfer of her DB pension, then this new complaint would have to be made to Prudential in the first instance to allow them time to investigate this properly.

Mrs M's additional points had not persuaded the investigator to change the outcome reached on the original complaint points and as Mrs M remained of the opinion that the imposition of the MVR by Prudential was unfair the complaint has been passed to me for 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.

I understand a new complaint has now been registered with Prudential about their role in the transfer of the DB scheme.

I would like to start this decision by clarifying that I will not comment on the advice received by Mrs M in relation to the transfer of her DB pension to Scottish Amicable (now Prudential). This issue is the subject of a separate complaint, and my decision will focus solely on Prudential's actions in extending Mrs M's retirement date and the subsequent imposition of an MVR to the pension fund. The fact that Mrs M could have accessed her DB scheme at age 55 is considered part of the new complaint and as such has not factored into my decision in this case.

Overall, I have reached the same outcome as our investigator and for broadly the same reasons.

The pension statements issued to Mrs M each February (with copies on file from 2020 onwards) confirm that the retirement date of the pension had been set in line with Mrs M attaining age 60. They also provide information around MVR's and when these may / may not apply.

In addition, the letters of October 2022 and January 2023 confirmed that if Mrs M took no action, the retirement date of the policy would be extended to Mrs M's 75th birthday.

I appreciate that Mrs M was away on an extended three-month holiday from January 2023 onwards and as such did not receive the January 2023 letter until after the policy amendments had been made.

However, the ongoing annual statements and the October 2022 letter provided Mrs M with all the information necessary to enable her to make the necessary arrangements with Prudential and ensure any amendments to the policy suited her circumstances.

All scenarios in which an MVR would (and would not) be applied to the policy are not covered in the documents referred to above. They do however make it clear that an MVR would not be applied at the recorded retirement date. As such it is reasonable to conclude Mrs M was or should have been aware that an MVR may be applied to the policy if not accessed at one of these dates.

I appreciate that Mrs M now faces the imposition of an MVR on the policy, however in line with the investigators outcome I have concluded that Prudential provided sufficient information and warnings to Mrs M about this in the lead up to April 2023.

As such I do not believe it would be reasonable for me to uphold this complaint or ask Prudential to take any further action.

## **My final decision**

As per the rationale above I am not upholding this complaint and do not require any further action from The Prudential Assurance Company Limited.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs M to accept or reject my decision before 13 January 2024.

John Rogowski  
**Ombudsman**