

Ombudsman's Determination

Applicant	Mr N
Scheme	Prudential Additional Voluntary Contributions Scheme (the Scheme)
Respondent	Prudential

Outcome

1. I do not uphold Mr N's complaint, and no further action is required by Prudential.

Complaint summary

2. Mr N has complained that Prudential failed to respond satisfactorily to his enquiries about how to protect his Additional Voluntary Contribution (**AVC**) fund balance at the start of the COVID-19 pandemic, and this caused delay in a transfer into cash being made.

Background information, including submissions from the parties

3. The sequence of events is not in dispute, so I have only set out the key points. I acknowledge there were other exchanges of information between all the parties.
4. Mr N was a member of the Local Government Pension Scheme (**LGPS**) which offered an AVC Scheme with Prudential.
5. On 4 February 2014, Mr N completed an AVC application form and requested that he paid a regular contribution of 10% of his salary. He invested in:

Blackrock Aquila Consensus Fund 25%

Blackrock Aquila All Stocks Bond 75%
6. On 29 August 2019, Mr N telephoned Prudential and said he was looking to switch to lower risk funds. Prudential said that Blackrock Aquila All Stocks Bond was the lower risk fund, and he could pay 100% of his contributions into this fund.
7. On 26 February 2020, Mr N telephoned Prudential and said he was due to retire on 30 April 2020 and he would like to know what his fund value was. He was concerned

about the information in the media about COVID-19 affecting fund values. The call handler explained that his fund value as at 20 February 2020 was £66,151.52.

8. On 2 March 2020, Mr N sent an email to Prudential and said he had recently stopped paying into his AVC as he planned to retire on 30 April 2020. He had already moved his fund to low risk. In light of the media coverage of COVID-19 and the impact it was having on stock markets and pension funds, he asked if he needed to do anything further to protect his fund.
9. On 5 March 2020, Prudential sent an email to Mr N and said it could confirm that the performance on his chosen investment funds was influenced by a number of factors, including:
 - the type of product or investment he had;
 - the amount of risk he was willing to take;
 - the investment decisions of its fund managers; along with
 - wider economic political and social factors.
10. On 9 March 2020, Mr N telephoned Prudential to ask what the value of his fund was as he was due to retire shortly. His fund value was confirmed as £66,271.36. Mr N said that he had switched to a low-risk fund to protect his AVC fund value in the run up to his retirement, was there anything else he could do due to the current uncertain situation. The call handler said that some people switched into cash as this was a low-risk fund and it would fluctuate less. If Mr N wanted to see online what funds were available, he could login online and see this information. He could also look at the past performance of the funds.
11. On 11 March 2020, Mr N contacted Prudential through its online portal and said his retirement date was 30 April 2020, and he was concerned about the performance of his fund due to the impact of COVID-19.
12. The same day, Prudential sent Mr N an email and said it could not predict how the stock market was going to perform over the next few months in relation to COVID-19. It was unable to give advice and if he had further concerns about the performance of his investment fund, he could consider speaking to a financial adviser.
13. On 17 March 2020, Mr N sent an email to Prudential and said that in light of the ongoing situation he had changed his retirement date to 31 March 2020, and he had advised his administering authority of this, and also his intention to commute his AVC fund to a lump sum.
14. On 20 March 2020, Mr N telephoned Prudential and said that his fund value was dropping, and he was due to retire on 31 March 2020, was there anything he could do. The call handler said that his options were to switch the fund he was invested in, or he could wait for his employer to begin the process of disinvestment.

15. On 22 March 2020, Mr N completed an online switch to cash request.
16. On 24 March 2020, Mr N sent an email to Prudential and said he was retiring on 31 March 2020. He had transferred his fund online to an alternative investment and the confirmation he received said this could take up to eight working days to action. Could the transaction be treated more promptly given that he would be retired within eight working days.
17. On 5 April 2020, Prudential sent a letter to Mr N to say that it had received his recent instruction to change his fund selection. It provided details of his holdings and valuations before and after the switch. His AVC fund value at this point was £60,813.95.
18. On 24 April 2020, Mr N sent a letter to Prudential and said in summary:-
 - When he began communicating with Prudential about the financial impact of COVID-19 his fund value stood at £66,271. He contacted it on numerous occasions, and he only received bland replies and no specific guidance.
 - His fund dropped from 9 March to 20 March 2020 reaching £59,800. It then started fluctuating slightly. He telephoned a number of times, and it would have been helpful if the cash option had been explained fully. Surely the member of staff could have taken time to explore options with him.
 - In his telephone call on 20 March 2020, he said he was retiring on 31 March 2020. He was then told he could look at options for moving his fund but not that it could take up to eight working days to carry out a transfer.
 - He then looked at the options available and started the switch to a cash option. It was then that he found out about the eight working day timescale. He sent an email on 24 March 2020 asking for this to be expedited but the switch did not take place until 5 April 2020.
 - He wondered if he could have protected his £66,271 if he had the options available explained to him and he made a transfer into the cash fund when he first telephoned. He would like an answer to this. He also felt he should be compensated for any investment loss and for the poor service he had received.
19. On 19 May 2020, Prudential sent a letter to Mr N and said in summary:-
 - Mr N contacted Prudential regarding his concerns about the value of his fund. It responded to him by explaining that he could switch funds and could speak to a financial adviser should he wish to do so.
 - In response to his comment about protecting his fund value of £66,271 had the options been explained to him earlier, every year it sent him an annual statement which explained he could switch funds. It was his responsibility to decide which fund he would like to invest in, and Prudential could not tell him what was best for the current situation.

- It received a fund switch request from him on 22 March 2020 and should have completed this within its standard timescales of five working days. However, it was clear it had fallen short of the time scale. The fund switch was backdated to the 23 March 2020 as this was the next working day after his request. It was comfortable there had been no financial loss as it had followed his instructions.
 - It offered a payment of £150 as an apology for the delay in completing the fund switch.
20. On 4 August 2020, Mr N sent an email to Prudential and said he did not agree with its letter of 19 May 2020. He requested it looked again at the date the switch was processed. Could it consider cancelling the transaction and reapplying it at the date it was processed.
21. On 19 August 2020, Mr N chased Prudential for a response.
22. On 19 October 2020, Prudential sent a letter to Mr N and said in summary:-
- It had a set and documented process for dealing with switch requests and in his case the switch was processed using the correct unit price date.
 - It was important to confirm that fund switches were always processed using the receipt date prices. This ensured that an investor would neither gain nor lose as a result of the time lag for such a request to be processed. This process was not only a Prudential standard but an industry standard and was not unusual or out of sync with other providers. It did not operate a 'best prices' policy in regard to this type of transaction.
 - In light of the delay in responding to him, it would like to pay Mr N an additional £100.
23. On the same day, an amount of £250 was paid to Mr N by Prudential.
24. Mr N made a further complaint to Prudential and said it had failed to mention the existence of a minimal risk fund which resulted in the amount of his AVC fund being £5,464.00 lower than when he first contacted it. He was unhappy that there was no mention of the annual allowance at the AVC seminar he attended or in his annual benefit statements.
25. On 13 October 2021, Prudential sent a letter to Mr N which said in summary:-
- Its records confirmed that Mr N first made contact with Prudential on 9 March 2020 in order to discuss his fund value as he was retiring soon and had noticed the drop in value due to the pandemic. It understood from the emails which it sent to him that it confirmed his fund choice but failed to say that he could switch to another fund of his choice to potentially minimise the loss in value.
 - During his telephone conversation on 20 March 2020, it confirmed that Mr N had two options. He could either request that the LGPS sent a disinvestment

request, or the other option would be to switch to another fund. Unfortunately, it was unable to advise which fund would be the most suitable to switch into, however it confirmed a fund switch was an option.

- In relation to it not mentioning the annual allowance at the AVC seminar or in the benefit statements: It did provide information on the annual allowance on the Prudential website.
- Due to the poor service received and the conflicting information, it had arranged for a further payment of £150 to be paid to him via cheque

26. Following the complaint being referred to The Pensions Ombudsman the following submissions were made.

Prudential's submissions

27. Prudential provided a timeline of its interactions with Mr N and said that Mr N was provided with information about the annual allowance in the AVC presentation in 2014 and in the guides provided when he took out his AVC.

Mr N's submissions

28. Mr N reiterated the points he had previously made and also said he could not emphasise strongly enough the distress and anxiety Prudential caused him at the start of COVID-19 while he was watching his AVC fund drop significantly.
29. If he had been informed in his telephone call of 9 March 2020 that the cash option was a minimal risk fund, he would have transferred his money to it immediately, which he believed would have protected his fund total of £66,271. That would not have been advice.
30. He withdrew his complaint about the annual allowance.

Adjudicator's Opinion

31. Mr N's complaint was considered by one of our Adjudicators who concluded that no further action was required by Prudential. The Adjudicator's findings are summarised below:-
- The Adjudicator reviewed Mr N's contact with Prudential, and it was clear that he was very concerned about the effect of COVID-19 on his fund value when he was so close to his retirement date. The Adjudicator sympathised with the position Mr N found himself in and that he was seeking guidance. However, the Prudential call handlers were only able to provide information and could not help Mr N to decide what the best option would be for him regarding his AVC fund.
 - Prudential did suggest that Mr N speak to a financial adviser, but the Adjudicator understood that this would have been difficult to facilitate at that time and that Mr N was already very close to his retirement date. Prudential did also direct Mr N

to the AVC scheme website which gave information regarding the types of funds available and how they had performed so that Mr N could review the information and then decide what to do.

- In the Adjudicator's opinion, Prudential could have provided a fuller response to Mr N's queries, but it was not able to give him the guidance he needed. In the circumstances, Prudential was not responsible for the fact that Mr N did not carry out the switch to a cash fund at an earlier date.
- Prudential had made a payment of £250 to Mr N to recognise the delay in carrying out his fund switch and also in responding to him. Prudential also offered £150 due to further poor service and conflicting information. In the Adjudicator's opinion an appropriate amount had been awarded.

32. Mr N did not accept the Adjudicator's Opinion, and the complaint was passed to me to consider. Mr N provided his further comments which said in summary:-

- The information provided to him by Prudential on 20 March 2020 was clear enough for him to make a decision that saved his fund from that point. He believed that if he had been provided with the same information by Prudential on 9 March 2020, he could have saved his fund from that point.
- While he understood that there may have been an expectation for him to undertake his own research, these were unprecedented times, and he believed that Prudential should have been responsive to that. Everything was moving so fast as lockdown was taking place and finding advice was not an easily accessible option.
- He believed that Prudential should have prepared its staff for calls from people in his position who were due to retire at that time and ensure that they were given full explanations, not advice, about the options available at the time. He thought it was negligent not to do so.

33. I agree with the Adjudicator's Opinion and note the additional points raised by Mr N.

Ombudsman's decision

34. Mr N is unhappy that the information provided to him by Prudential was not clear enough to allow him to make a decision about what to do with his AVC fund when the value was falling due to the impact of COVID-19.

35. On the call that Mr N made on 9 March 2020, the adviser did tell Mr N that close to retirement as part of a lifestyle strategy some people switched to a cash fund. This was one of Prudential's 'low risk' funds which was expected to fluctuate less. The adviser also gave Mr N the information he needed to log into his online account which would provide details of all the funds that were available to him and their previous performance so that Mr N could compare them. Mr N also confirmed that he could also carry out a switch online.

36. I understand that Mr N wanted specific guidance regarding the impact of COVID-19 on his fund value but as Mr N has said this was an unprecedented time and Prudential would not have been aware of how long the market volatility would continue. I understand that Mr N found it difficult to access financial advice at that time, but ultimately Prudential was not able to give Mr N advice regarding what to do with his fund to protect its value.
37. I find that Prudential responded to Mr N's queries and sign posted him appropriately to the additional information in his online account so that he could make an informed decision regarding what to do with his AVC fund. Prudential was not responsible for the fact that Mr N did not carry out the switch to a cash fund at an earlier date.
38. I do not uphold Mr N's complaint.

Dominic Harris

Pensions Ombudsman
11 June 2025