

Ombudsman's Determination

Applicant	Mrs N
Scheme	Prudential
Respondents	Prudential

Outcome

1. I do not uphold Mrs N's complaint and no further action is required by Prudential
2. My reasons for reaching this decision are explained in more detail below.

Complaint summary

3. Mrs N's complaint against Prudential is about their decision not to allow her to cash in her annuity for a lump sum.

Background information, including submissions from the parties

4. Mrs N's annuity with Prudential commenced in July 2010 and it provided her with an annual income of £14.52 with a tax free cash lump sum of £132.60.
5. When Mrs N purchased her annuity she received several documents which included:
 - A letter of 13 July 2010, which informed her about her retirement options. (Document 1)
 - A Prudential Web Illustration (Document 2)
 - A Claim form (Document 3)
 - A letter of 19 July 2010, confirming receipt of her claim form. (Document 4)
 - A letter of 23 July 2010, confirming that her first payment would be made within the next few days. (Document 5)
 - A Prudential Key Facts document entitled 'Key Features of the Prudential Guaranteed Pension Annuity'. (Document 6)
6. Document 2, as described above, contained conditions for Mrs N's annuity. The relevant condition for this complaint is on page 1 of the Document, which says '**Your annuity cannot be cashed in at any time.**' (Emphasis present in the document.)

7. Mrs N contacted Prudential on 13 January 2015, 9 March 2015 and 10 April 2015, to ask whether she could cash in her annuity. On all three of these occasions Mrs N was told that was not possible.
8. On 20 July 2017 Mrs N telephoned Prudential to make a complaint regarding its refusal to encash her policy. Prudential responded to this complaint on 1 August 2017. It did not uphold Mrs N's complaint and gave the following reasons for doing so:-
 - Prudential set up her annuity in 2010 and their commitment was to maintain annuity payments for the rest of Mrs N's life.
 - Whilst there had been discussions in Government, which had at one point suggested that there would be increased flexibilities for annuities like Mrs N's, those discussions have not come to fruition.
 - Prudential recognise that in certain circumstances small annuity pots can be encashed, however it does not permit annuities to be encashed in this way.
9. Mrs N does not agree with Prudential's decision and so brought her complaint to this service.

Adjudicator's Opinion

10. Mrs 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 briefly below:-
 - The terms and conditions of Mrs N's annuity state that her annuity cannot be encashed at any time.
 - Whilst it may be possible for Prudential to amend the terms and conditions for Mrs N's annuity, they are under no obligation to do so. When considering making alterations to the annuity terms Prudential is able to take its own commercial interests into account.
 - Prudential has correctly administered Mrs N's annuity in accordance with its terms and conditions and as a result no further action is required.
11. Mrs N did not accept the Adjudicator's Opinion and the complaint was passed to me to consider. Mrs N provided her further comments which do not change the outcome. I agree with the Adjudicator's Opinion and I will therefore only respond to the key points made by Mrs N.

Ombudsman's decision

12. Mrs N explained that she felt that in her circumstances Prudential's decision was unfair. As her annuity was so small she did not see any problem with her being able to encash it. She also commented that Prudential had not properly explained why it had made its decision.
13. The adjudicator correctly identified that Prudential are administering Mrs N's annuity in line with its terms and conditions. Prudential have therefore not acted in a way that is considered maladministration.
14. In my view Prudential have sufficiently explained its decision to not encash Mrs N's annuity in its response dated 20 July 2017. I find that Prudential do not need to provide any further explanation in these circumstances.
15. I determine that Prudential has acted reasonably and no further action is required by it.
16. Therefore, I do not uphold Mrs N's complaint.

Karen Johnston

Deputy Pensions Ombudsman
19 February 2018