

Ombudsman's Determination

Applicant	Mr E
Scheme	Galloway Gazette Ltd Employee Benefits Scheme (the Scheme)
Respondent	Prudential Assurance Company Limited (Prudential)

Outcome

1. I do not uphold Mr E'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. Mr E has complained that the value of his policy within the Scheme was surrendered at zero, due to charges continuously being deducted, when he was no longer paying contributions into the Scheme.

Background information, including submissions from the parties

4. Mr E became a member of the Scheme when it commenced on 1 January 1990.
5. On 1 March 1990 a letter was sent to Mr E which said the following:

"We are pleased to advise that you have been nominated for membership of the above scheme with effect from 1st January 1990."

The Scheme booklet was enclosed with the letter and explained how the Scheme would be run.
6. Prudential have said that Mr E left the Scheme on 31 October 1990, and consequently only one annual contribution was paid into the Scheme. Mr E disputes this and says he left the company in March/April 1991.
7. Mr E's policy was surrendered in 1991 when the value reached zero.
8. In 2017, Mr E became aware of this and raised a complaint.
9. This was addressed on 27 November 2017. Prudential said the following:

“Your policy 526KU086 was set up through your membership of the [Scheme]. You joined the Scheme on 1 January 1990, and one annual contribution totalling £300.00 was paid to your policy on that date from your employer. You subsequently left the Scheme with effect from 31 October 1990 and no further payments applied to your contract.

Over the lifetime of your arrangement, we deducted charges in line with our policy terms and conditions. These should have been explained by your Financial Adviser that set-up your contract, Giles Insurance Brokers Limited. In summary, the Financial Adviser should have explained the charges and costs involved in the policy, and you should have received a copy of the terms and conditions when you joined the Scheme. The Scheme Trustees, or their Financial Advisers, should have provided a copy of these to you at the time.

I acknowledge your comments about what has happened, however, the charges applied to your policy were greater than the actual contributions invested, and that means your pension arrangement no longer holds a value.”

10. Mr E remained dissatisfied and brought his complaint to the Pensions Ombudsman to be independently reviewed.

Adjudicator’s Opinion

11. Mr E’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:-
 - When Mr E became a member of the Scheme he would have been provided with literature about how the Scheme would operate, and it was his responsibility to read this and ask any questions he may have had. Including how the charging structure would work and what would happen if contributions were no longer paid into the Scheme.
 - The investment performance was not as Mr E might have hoped but this was largely because there was little chance of the investment growing to any great extent when only one annual contribution was paid into the Scheme. The level of management charges on such arrangement assumes that contributions will continue to be paid for a number of years.
12. Mr E did not accept the Adjudicator’s Opinion and the complaint was passed to me to consider. Mr E provided his further comments which do not change the outcome.
 - he believed he had paid into the Scheme over a longer period of time than suggested in the Opinion;
 - he worked until March/April 1991, and had no reason to leave the Scheme in October 1990; and

- he believed he joined the Scheme before January 1990.

13. I agree with the Adjudicator's Opinion and I will therefore only respond to the key points made by Mr E for completeness.

Ombudsman's decision

14. Mr E has complained that the value of his policy within the Scheme was surrendered at zero, due to charges continuously being deducted, when he was no longer paying contributions into the Scheme.
15. Although Mr E says that he joined the Scheme before January 1990 the letter dated 1 March 1990 makes clear that he joined the Scheme with effect from 1 January 1990.
16. Mr E has said that he left employment in March/April 1991 so he would have remained a member of the Scheme until he left, and not until October 1990, as Prudential have said. However, there is no competing evidence from which I can conclude that the scheme membership record is wrong, or that any further payments were made by Mr E or his employer for which Prudential have not accounted.
17. Prudential have deducted the management charges in line with the policy terms and conditions and in those circumstances there is no basis on which I can make a finding of maladministration against them.
18. Therefore, I do not uphold Mr E's complaint.

Karen Johnston

Deputy Pensions Ombudsman
5 June 2018