

## **complaint**

Miss G complains that Abbey Life Assurance Company Limited ("Abbey Life") wrongly advised her to contract out of the state earnings related pension scheme ("SERPS") in 1989.

## **background**

Miss G took out a personal pension with Abbey Life in 1989. The pension was contracted out from SERPS.

In 2015, Miss G's representative complained to Abbey Life. It said that she had been wrongly advised to contract out of SERPS. It said she:

- was a very cautious person;
- was told the pension would make significantly more if she contracted out of SERPS;
- didn't understand how SERPS or pensions in general worked;
- was not told of the state pension benefits she was giving up;
- was not told of the fees and charges of the plan or how they affected its benefits.

Our adjudicator did not uphold the complaint. She said Miss G at the time:

- was under Abbey Life's pivotal age of 38;
- was above the pivotal earnings limit of £10,000;
- had a reasonable prospect that contracting out of SERPS would be beneficial.

Miss G does not agree. She says:

- she has never understood what contracting out of SERPS means; and
- she has not received any correspondence from Abbey Life – only statements.

No agreement was reached. The complaint has been referred to me for a decision.

## **my findings**

I have considered all the available evidence and arguments to decide what is fair and reasonable in the circumstances of this complaint.

As the adjudicator explained, the government decided to allow contracting out of SERPS. It offered incentives to do this. But it gave no advice.

So pension firms actuaries compared the projected benefits to decide whether contracting out would be beneficial.

The rebates paid by the government meant that it was more attractive for younger people to contract out than for those who were older. The ages where the firms advice changed were called pivotal ages.

Abbey Life applied a pivotal age for women of 38. In other words, below this age a woman would be better off contracting out rather than remaining in SERPS. Miss G was 20 in 1989. So it was thought she would be better off contracting out.

Earnings were also used to decide if contracting out was suitable. Miss G's salary was £15,500. And the pivotal earnings limit was £10,000. So Miss G was suitable for the Abbey Life plan.

At the time, it was felt that Miss G would be better off at retirement by contracting out. But this was not guaranteed. It depended on the actual returns from the plan. And the rates at which Miss G's plan would be converted to a pension when she retired.

I know that Miss G is disappointed with the fund performance. Investment returns have been lower than expected. But this alone is not a matter this service considers a valid cause for complaint.

My decision here is whether the advice to contract out of SERPS was suitable given what was known at the time. As Miss G met the criteria to make opting out possibly beneficial, the advice from Abbey Life was suitable.

Miss G is unhappy with a lack of communication from Abbey Life. But she says she got annual statements. In my view, these would have told Miss G her plan value. If she was concerned about this, she could then have raised this with Abbey Life.

I have concluded that Abbey Life gave suitable advice to contract out of SERPS. And that it has given Miss G relevant information about her plan.

#### **my final decision**

My decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I am required to ask Miss G to accept or reject my decision before 1 September 2015.

Alison Cribbs  
**ombudsman**