

Additional Voluntary Contributions - advice for members concerned over possible mis-selling

National papers in recent months have carried a number of articles on Prudential AVCs and possible mis-selling of this product. (The teachers' in-house AVC scheme is provided through the Prudential.)

Since 1995 Prudential have required all applicants to indicate with their signature that they are aware that past added years can be purchased within the Teachers' Pension Scheme (TPS) as an alternative to AVCs. Therefore any possible mis-selling is likely to predate this process.

Background

The AVC is only a financial mechanism for improving your pension position. In TPS you can only accrue 40 years service to count towards your pension by age 60 years. This leaves a small gap between what you can put aside through Teachers Pension and what the Inland Revenue regulations allow an individual to put aside for their pension. AVCs or FSAVCs (free-standing AVCs) are ways of filling this in.

Many members without family responsibilities or with partners with good pensions in their own right have chosen to opt for AVCs rather than purchasing Past added years. It is expensive to fill in gaps in Teachers Pension via past added years and such individuals may not have any need to ensure a pension for children or spouse.

Up until the last few years AVC funds did very well in the market place and again some individuals chose this route as they felt they were likely to get a better return on their money than through purchasing Past added years.

The market has been at a low in recent years and AVC funds have reflected this. Prudential continued to pay bonus to members through these years but cut the terminal bonus which was not guaranteed; hence most funds appear to have less than a few years ago.

With hindsight some people have regretted their decision to use AVCs given the downturn in the markets. However that was the risk they took when moving to AVCs and not a case of mis-selling.

Prior to 1995 Prudential did not require individuals to sign to acknowledge that their attention had been drawn to Past added years, and so it is possible that occasionally a

Prudential representative failed to do this. If this occurred to you and you have evidence then you do have a case of being missold AVCs.

'I think I may have been missold an AVC'

If you have become concerned that you are contributing to Prudential's AVC package and that you should have been using the money to purchase past added years in the Teachers' Pension Scheme, you need to ask yourself the question,

'When you met the Prudential advisor to discuss improving your pension did they draw your attention to past added years, and explain the differences?'

You may not remember too clearly if it was a long time ago so you will need to check the paperwork that you received at that time.

If you have evidence that you have been wrongly advised and wish to take it further with Prudential the following information may be useful.

Prudential have a department dedicated to resolving customer complaints and they follow a defined procedure in each case.

The Process

Prudential acknowledge each complaint within five days of receipt.

They look at each case on its own merits, and the first stage in the process is to gather the information they need to allow them to consider all aspects of the case. This includes the documentation that they have provided, and the paperwork that was completed at the time the contract was arranged. Prudential also usually contact the sales representative who was involved in the arrangement of the contract for their account of events. To do this, Prudential need to obtain authority from you.

This does take time but is a necessary step in ensuring that each case is considered appropriately. Once all the evidence is gathered a decision is made, either to uphold the complaint or to refute it.

Where the complaint concerns not being made aware of added years and Prudential find that not to be the case, then it follows that they will refute it.

If Prudential find that the person complaining was not given the added years information Inland Revenue rules mean they have to get an Ombudsman ruling before they can put the customer back into Past added years.

Prudential aim to complete this whole process within an eight week period, which allows for the necessary information gathering, decision-making and preparation of a response to the customer.

Appeal

If members are not satisfied with Prudential's decision, they can go back to Prudential with new evidence or may refer the matter to the Pensions Ombudsman:

The Pensions Ombudsman
11 Belgrave Road
London
SW1V 1RB

The Ombudsman, understandably, has his own information-gathering and investigative procedures, and these add to the time taken to resolve the cases that move to this stage.

Prudential have told the union that they have had recent meetings with the Ombudsman to understand how they can improve the way in which they provide information to help him carry out his role.

If you have any members who would like to speak with Prudential please direct them to or wish to take a complaint up with them:

Teachers' AVC Department
Prudential, Abbey Gardens
55 Kings Road
Reading
RG1 3AH

'The advice to take out AVCs came from another organisation.'

If you were advised to join AVC in preference to Teachers Pension past added years by an organisation other than Prudential, then your complaint will lie with them.

Again you will need to have evidence, that shows you asked for advice on improving your pension position and that the advisor did not draw your attention to past added years. In these cases you need to write direct to the company and ask for a copy of the complaints procedure and lodge your claim with them.

Changing to past added years

If you believe that you might in this changed economic climate be better investing your money via past added years or part of your money that way, then you need to contact Teachers Pension 0845 6066166 and ask for the booklet and form. Or obtain them from their website www.teacherspensions.co.uk in the further information and leaflet section on the left hand list on the home page. If you decide to go down this route remember to check your wage slip to ensure that the payments are deducted in accordance with your wishes.