

The complaint

Mr W complains that the compensation The Prudential Assurance Company Limited has offered him for its errors in dealing with his pension is far too low.

Background

Mr W's pension arrangements with Prudential were considered as part of the pension review due to the advice it gave to transfer Occupational Pension Schemes (OPS).

Rather than the standard approach of working out the losses then at the time of the review, Prudential offered a pension guarantee. This meant it would calculate the loss in the future when Mr W chose to take his benefits – whether on transfer or retirement. This has generally worked out advantageously for most customers rather than the loss being paid there and then.

In 2005 Mr W transferred his pension arrangements away from Prudential to a scheme in Australia. Prudential by the terms of the pension guarantee ought to have carried out the loss calculation on transfer but it made an error and missed that this needed to be carried out then.

Then in 2016, Prudential discovered that it still retained this guarantee and it wrote to Mr W to explain what his options were going forward. Mr W quite reasonably wanted to know more about the calculation and what had happened, before choosing what option to take. Due to the complexities of the situation, this was a long drawn out process involving multiple parties and required a lot of involvement from Mr W. It wasn't until late 2017 that the final calculation was run and the benefits were due to be paid. But unfortunately due to miscommunications between the parties involved in the transfer, it couldn't be completed then. And it was put on hold until Mr W and his pension provider confirmed the basis of the transfer.

There was then a further delay as Prudential required original identification documents from Mr W but the transfer finally proceeded in February 2018.

Mr W raised a formal complaint believing that he had been disadvantaged by Prudential's mistake in not paying the guarantee in 2005. And he was unhappy with the service he'd received from Prudential.

Prudential responded after investigating whether Mr W had been worse off with the pension guarantee calculation being carried out in 2018 rather than 2005. It said following its investigations had Mr W transferred in 2005 his pension would've grown to \$148,547.85 at the date of transfer. Whilst in reality it had transferred after accounting for the exchange rate, \$232,954.11 to Mr W's Australian pension scheme. This meant that in fact Mr W had gained by \$84,406.26 due to the delay in calculating and paying the pension guarantee.

Prudential accepted that it had provided Mr W a poor service and caused delays but it said it had not caused Mr W financial disadvantage.

In regards to the service it had provided, Prudential apologised for the time that things had taken. And that its staff when speaking to Mr W had not always been well enough informed to give Mr W the correct information. It offered Mr W £1,000 in recognition of the poor service it had provided and the upset this had caused.

Mr W remained unhappy with this and brought a complaint to this service. This was considered by one of our investigators. He said that he recognised that Mr W had gone through a lot of trouble as part of the process and that Prudential had made errors. But he felt the offer of compensation was fair and Mr W had ended up being much better off due to Prudential's error. Mr W didn't agree, he said whilst he recognised the offer of £1,000 was in line with the higher end of awards made, he didn't think it adequately compensated him for all the time spent, expense and pain this situation had caused him. He felt the guidelines for trouble and upset were either wrong or mis-applied.

My findings

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

The issue left for me to decide here is whether Mr W has been adequately compensated for the trouble and upset caused by Prudential.

I say this because Prudential has calculated the financial impact of its errors on Mr W and this showed that Mr W has benefited from its error. This is not in dispute but Mr W is unhappy with the offer of compensation for the poor service he received throughout this process. Mr W says the sum he has been offered of £1,000 is paltry when compared to the suffering he's encountered due to Prudential's errors.

Having considered the evidence provided, as the investigator explained to Mr W we do have guidelines we take into account when considering what constitutes a fair offer. The £1,000 offered by Prudential is towards the higher end of our guidelines. And having considered the circumstances of Mr W's case, I think the offer is fair and reasonable.

Prudential's biggest error was not calculating the benefit guarantee in 2005 as it should've done, however Mr W was unaware of this error until 2016. Then it took two years from when it notified Mr W of its error until the process was finally settled. Not all of this was Prudential's doing but it didn't always provide the best service to Mr W and it could've been more efficient in sorting this issue out. I recognise this will have caused Mr W significant stress and I can see that he has spent a lot of energy, time and effort as part of this process.

However, whilst we generally consider financial loss and trouble & upset separately, Prudential's error has resulted in a huge gain for Mr W. And I don't think this can be ignored when considering the impact of Prudential's errors on Mr W.

Had Prudential calculated the pension guarantee in 2005 as it should've done, Mr W would be about \$85,000 worse off now.

So even if I had felt that Prudential's offer of trouble & upset was too low, in considering the circumstances of the case as a whole, any trouble and upset caused has been offset by the huge gain Mr W's received. I don't think Mr W has fully taken this into account when looking at what's happened. Whilst I don't doubt this has been a stressful experience for Mr W, I think it's fair to say he's been very fortunate in financial terms that Prudential made the error that it did in 2005.

In the circumstances of this case, the trouble & upset caused is vastly offset by the gain that Mr W has received. And in any event, the gain aside, I think the award that Prudential has made for the trouble & upset caused is in line with what I would consider fair.

Therefore I don't think it would be fair or reasonable to make any further award and I do not uphold this complaint. If Mr W hasn't already accepted the £1,000 and wishes to do so, he should contact Prudential directly to arrange payment.

My final decision

For the reasons explained above I don't uphold Mr W's complaint and make no award.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr W to accept or reject my decision before 20 April 2020.

Simon Hollingshead
Ombudsman