

The complaint

Miss P complains that The Prudential Assurance Company Limited (Prudential) delayed the payment of her pension and deducted tax when she told them she was not in work and didn't pay tax.

What happened

Miss P contacted Prudential a few months ahead of turning 55, wanting to take her pension as a cash lump sum. She was suffering ill health and was unable to work. Her health condition meant that she could have possibly accessed her pension earlier than age 55.

Prudential wrote to Miss P at the start of April 2019 explaining the options that she had when taking her pension. The letter pointed out the importance of the decision and how Miss P could get independent advice. An Ill Health Declaration Form was also provided which needed to be signed by a GP. Miss P provided Prudential with a correctly completed GP letter in early May 2019, indicating that Miss P was unable to work through ill health.

On 15 May Prudential wrote to Miss P asking her to call them to speak about her pension. Miss P wanted to take her pension fund as a cash lump sum, and Prudential needed to go through specific risk information about that choice. She called them on 4 June. Prudential didn't go through the information they needed to process Miss P's pension in that call. It then took longer for Prudential to speak with Miss P again to go through the information they needed to.

Miss P wrote to Prudential to complain. In their response they accepted responsibility for failing to process her pension on 4 June and the delay that led to. They awarded Miss P £125 compensation and promised to review her final settlement so that she was not financially disadvantaged.

Prudential settled Miss P's pension on 13 September 2019 by sending her a cheque for £18,507.21. Prudential reviewed the complaint and decided that if they'd given her the correct information when Miss P phoned them on 4 June, they likely would have had the settlement arranged by 2 July instead. They calculated that the settlement then would have been £18,412.31. They worked out that the interest on that over the period to 13 September was £258.28. This combined total would have been £163.38 more than the settlement Miss P received. So Prudential compensated Miss P for that potential loss, adjusting it for interest and tax.

Our investigator looked at Miss P's complaint and thought that Prudential had dealt with it in a fair and reasonable way. Miss P didn't agree and asked for the case to be looked at by an ombudsman.

What I've decided – and why

I've considered all the available evidence and arguments to decide what's fair and

reasonable in the circumstances of this complaint.

Miss P clearly suffered from health issues that meant she has been unable to work. This can't have been easy for her. I can see she wanted to access her pension before turning 55. That wasn't possible without medical certification that she suffered from ill health that meant she would no longer be able to work. She didn't have this from her GP until shortly before she was 55. So I don't think Prudential had the opportunity to pay her pension prior to her being 55.

The GP letter that Miss P provided showed that she suffered from ill health that prevented her from working, but not from a *serious* health conditions – defined as a terminal condition with less than 12 months to live. Miss P's full cash lump sum would only receive full tax relief if diagnosed with a serious ill health condition, by this definition.

So – in line with HM Revenue & Customs rules – Prudential had to consider the tax implications of Miss P taking her whole pension fund as a lump sum. 25% of her pension fund could be taken as a tax free lump sum. The remainder had to be treated as income and taxed in line with her tax code. I can see that Miss P had written to Prudential saying she didn't pay tax, but Prudential only had a copy of her P45 for the previous year, so as they didn't have evidence of Miss P's current tax situation at the time they had to apply an emergency tax code.

I think that the correspondence Prudential sent Miss P made it clear that taking the full lump sum would mean 75% of the pension would be taxed. I can see Miss P didn't think she should pay tax because she wasn't working. But Prudential must follow HM Revenue and Customs rules so didn't treat Miss P unfairly in the way they deducted tax on the payment they made. Miss P can contact her tax office if she thinks she has overpaid tax in the financial year in question, so need not lose out financially.

Prudential did make a mistake in processing Miss P's request to access her pension as a lump sum. Prudential needed to speak with Miss P in order to discuss the risks associated with taking her pension in full as a lump sum. I think this was reasonable given the responsibilities on them as the pension provider. They had the chance to go through this when Miss P phoned them in June but didn't. I agree with Prudential that had they done, they likely could have processed her pension payment on 2 July instead of 13 September.

Where Miss P potentially lost out by a delayed payment, I'd expect Prudential to calculate what the payment would have been if it was made at the earlier date. I think that the date they chose - 2 July - was fair as it allowed a reasonable time for the payment to be processed. Because Miss P was denied her money for the period of the delay, I'd expect Prudential to add interest for the time she was without it. Having looked at how Prudential tried to put things right I'm satisfied they did exactly what I'd have asked them to do.

I would also have considered asking them to add interest to the additional amount from the date her pension was settled until the compensation was paid. I can see that Prudential did this too. So I think that what Prudential did was a fair and reasonable way to put Miss P into the position she would have been in if there had been no delay in payment.

I am satisfied that Prudential put Miss P in the position she'd have been in if they'd gotten things right from the start. I can see that Miss P was in some rush to receive her pension. She'd made that clear to Prudential. The delay would have caused her additional distress and inconvenience. Prudential have paid Miss P £125 to compensate for her trouble and upset. I consider that in line with what I would award for this level of upset. So I won't be asking Prudential to do anything else to put things right.

My final decision

For the reasons I've given I do not uphold Miss P's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss P to accept or reject my decision before 6 July 2020.

Gary Lane
Ombudsman