

The complaint

Mr W complains that Prudential Assurance Company Limited provided a transfer valuation for his pension and following delays in processing the transfer wouldn't honour that valuation.

What happened

Mr W had a pension with Prudential that he wanted to transfer to his Self-Invested Personal Pension (SIPP). On 11 February 2019 Mr W emailed Prudential requesting a quote for the transfer of his pension.

On 15 February 2019 Prudential sent Mr W a letter providing the transfer value of his pension. His policy provided a guaranteed minimum pension (GMP). It stated the cash equivalent transfer value (CETV) was £72,995.04 and gave the pension's transfer value at 14 February 2019 as £85,510.79. The CETV was the amount needed to provide an annuity of the value of his GMP, based on open market annuity rates. A transfer was only possible if Mr W's fund value exceeded the CETV (transfer test). Because Mr W's fund transfer value was larger than the CETV the transfer test was met. The letter stated the test was guaranteed until 14 May 2019. The letter said that the values themselves weren't guaranteed.

Mr W explains that he never received the letter sent to him on 15 February so had to contact Prudential to get the above information forwarded to him again. Only receiving a copy of it after 6 March.

On 15 March 2019 Prudential sent Mr W further correspondence by email. In it they provided an updated pension fund transfer value of £85,730.03 as of 14 March – comprising the fund value of £53,057.05 and a final bonus of £32,672.98. The email explained that the transfer value depended on the unit price of the funds in the plan at the date the transfer was calculated plus any final bonus applying on that date. This correspondence referred to the letter of 15 February 2019 re-stating the GMP and CETV provided in that letter.

Mr W complained to Prudential in March about a number of things regarding Prudential's service. He was unhappy that he'd encountered problems when phoning them, he'd been repeatedly told they couldn't email him, but then had emailed him in March. The letter he was sent on 15 February contained the wrong contact number. Prudential responded to that complaint on 11 April 2019. They upheld Mr W's complaint overall, accepting that there were issues with their level of service. They apologised and awarded £300 compensation for the distress and frustration that it caused.

Mr W complained to Prudential again in June 2019. His complaint was that Prudential had caused delays in providing information and returning calls, and that the transfer value of his policy had reduced from the values quoted in February and March. Prudential responded to Mr W's complaint on 22 July 2019. Prudential identified that they'd taken longer to respond to a request for information from Mr W's independent financial adviser (IFA) in May 2019 than was reasonable. Prudential said that they were always clear that the transfer valuations they provided depended on the fund value and the final bonus when the transfer took place. They didn't think that their correspondence ever indicated that the valuation in February was

guaranteed so wouldn't honour it. They paid Mr W £100 as an apology for any distress and inconvenience due to delayed correspondence.

Mr W transferred his pension from Prudential to his SIPP in September 2019 for £82,647.21.

Mr W brought his complaint to our service because he was unhappy with Prudential's response. He thought that Prudential should've honoured the higher transfer value he'd been quoted in March 2019. He didn't feel that the compensation he'd received was enough for the inconvenience he was caused.

Our investigator looked into his complaint but didn't uphold it. She didn't think that Prudential had given Mr W guaranteed transfer valuations so didn't think it was fair to expect them to honour the higher valuations. She looked into the service Mr W received and thought that the £400 compensation Prudential had already paid was a fair way to deal with the mistakes they'd made.

Mr W disagreed and didn't think our investigator had properly considered all his concerns. So his complaint was passed to an ombudsman for decision.

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.

Mr W made a number of points in his complaint. We're an informal dispute resolution service, set up as a free alternative to the courts. In deciding a fair outcome I've focussed on what I think are the main issues, rather than commenting on every point Mr W made. This isn't intended as a discourtesy to Mr W. Rather it reflects the informal nature of our service, its remit and my role in it.

Mr W has provided examples of earlier complaints he raised with Prudential that they've already dealt with. I'd like to reassure Mr W that I've looked at everything he provided. But where a business has responded to a complaint with a final response letter - explaining the option to refer the complaint to us within 6 months – we can't consider it after 6 months have passed without the business consenting. So, in the interests of fairness, the existence of other complaints hasn't influenced me when looking at the issues leading to this complaint.

I will address the issues Mr W raises as follows:

Guaranteed Transfer Values

I think the main issue is that Mr W thinks that the transfer values he was given in February and March were guaranteed for set periods – so Prudential should have honoured those values. I don't agree, and explain as follows:

Mr W wrote to Prudential on 11 February 2019 saying "*I would like to request a current quote and statement regarding the position of this pension. What are the current transfer values and eligibility for transfer?*" I've also seen earlier correspondence – from both sides - where Mr W was requesting periodic updates from Prudential of his pension fund's transfer value. This was done in order to know when he could transfer his Prudential Pension into his SIPP.

I think this correspondence shows that Mr W understood that the value of his pension fund had to be above a certain value before he had the option to transfer it into his SIPP – the

transfer test. I also think it shows that Mr W was aware that the transfer value and CETV were constantly changing.

Prudential wrote to Mr W on 15 February 2019 about his pension. I've looked closely at the wording in that letter because Mr W formed the opinion from it that the transfer value it gave was guaranteed. The letter said "*the current transfer value at 14 February 2019 is £85,510.79*". I don't think this implies any promise about its future value. In relation to the valuations, the letter stated, "*these values are not guaranteed*". The letter explained that the test was guaranteed until 14 May.

I don't think it clearly explained what the test was. But I've also considered the correspondence leading up to it. The letter was a response to a request from Mr W specifically about the eligibility to transfer his pension. Taken in context I think the letter provided fair information. I don't think that it's fair to interpret anything in Prudential's letter as guaranteeing the transfer value of the fund until 14 May.

Prudential responded to further queries from Mr W about the transfer valuations. Mr W received an email from Prudential on 15 March 2019. That email said the value of the fund as of 14 March was £85,730. This was different than the transfer value in February which again makes me think that it was clear that the transfer value wasn't fixed. The email explained, in what I think was a clear way, that the transfer value was made up of the total value of the fund on the date of the calculation along with a final bonus that applied on that date. It specifically stated that the "*final bonus is not guaranteed and can be reduced or suspended at any time*". I think it was clear that the transfer values represented the valuation on the date stated and weren't guaranteed values.

Prudential delayed his pension transfer

Mr W explained that he didn't receive the letter of 15 February with his transfer guarantee. He had to chase Prudential to send him another copy of it, which he received between 6 and 10 March. He says that if he'd had it sooner, he could've transferred before his final bonus dropped on 1 April.

Prudential provided us a copy of the letter and I've no reason to doubt that Prudential sent the letter of 15 February. I can't say why Mr W didn't receive it, but ordinarily sending information by post is considered reasonable.

I note that Mr W said that he wanted email correspondence. Prudential explained that they ordinarily send such letters by post. Mr W has shared earlier correspondence that makes it apparent that he'd received previous letters from Prudential. Including reference to a letter explaining his transfer value in May 2018. In Mr W's request for the valuation in question, he hadn't indicated a preference for a response by email or that he'd be unable to collect his post. I don't think that sending the valuation to Mr W by post was unfair or unreasonable. And when Mr W told them that he hadn't received the letter, they resent it promptly. They also responded to queries he raised on 13 March with an email a couple of days later.

On 1 April 2019 the final bonus for Mr W's fund reduced, so if Mr W had been able to transfer prior to that date his transfer value would have been higher. It's apparent from emails between Mr W and Prudential, from May and June 2018, that the transfer test was met then. And Mr W was aware then that he needed financial advice before he could transfer his pension. Mr W didn't have financial advice when he requested the February 2019 valuation and didn't obtain it until May 2019. So even if Mr W had had February's valuation sooner, I'm not satisfied that the transfer would have happened before 1 April 2019.

Prudential accepted they were too slow to provide the information requested by Mr W's IFA by letter dated 17 May. They explained that the working day that they received it was 22 May so they should have responded by 29 May according to their target response times. They didn't respond until 12 June so were responsible for a delay of ten working days because of that mistake. Their calculation seems reasonable, so Mr W's IFA should have had the information sooner than 12 June.

The information that Prudential sent the IFA on 12 June provided a figure for the CETV (on 9 June) as £68,096. It gave the transfer value of the pension on 7 June as £79,998. The transfer test was therefore met and guaranteed for a further 3 months to 8 September. I've looked at the information provided and think it clearly set out what the transfer value of the fund was as distinguished from the CETV. It quoted the value of the final bonus whilst making it clear that it wasn't guaranteed. Information was also included showing the value of the fund itself. From that, I think it was clear how the transfer value was reached.

Prudential also wrote to Mr W and his IFA on 9 June 2019 to provide them with a warning about the loss of guaranteed benefits when transferring his pension. This letter was different to the letter of 12 June - which contained the transfer value and the updated transfer test. This letter satisfied Prudential's obligation to provide a clear illustration of the guaranteed benefit Mr W was giving up. The letter states "*the transfer value and the comparison pension income illustrations shown below relate only to your pension with guarantees*". The letter then gives that value as £68,096. In conjunction with the letter of 12 June I think it was clear that this figure was the same as the CETV.

Mr W's IFA emailed Prudential with follow up questions on 19 June. The IFA queried that the transfer value was correct because it was £6,000 lower than the figure given in the last valuation they'd received. The IFA identified though that the discrepancy was down to a drop in the final bonus for the policy. The IFA also wanted clarification about the terminology used which she felt was confusing.

Prudential were slow to respond to this request too. There doesn't appear to be an email answering the IFA questions until 22 July. It re-iterated the information provided earlier though, which was correct. The fund had reduced because the final bonus dropped which was what the IFA had identified. The time it took Prudential to respond was a further poor service, but I think that the information that had already been provided to Mr W and the IFA was correct and enough to decide on whether to transfer or not on 12 June.

I also note that Mr W had raised a complaint with Prudential on 19 June, which they responded to on 22 July. Given that FCA rules allow Prudential eight weeks to issue a final response to a complaint, I can't say that Prudential's response took too long. This complaint was about the drop in his fund's value from the quotes in February and March which Mr W believed were guaranteed valuations. He believed that delays caused by Prudential meant he hadn't been able to process his transfer in time to get the guaranteed values. Mr W believed he was entitled to the higher value he was quoted and made it clear that the resolution he wanted was for the earlier quotes to be honoured. So I don't think he would've transferred his fund until he had the answer to his complaint. When Mr W had Prudential's response, he replied saying that he didn't accept their findings but that he would then proceed with the transfer.

For the above reasons, I don't think that Prudential's delay in responding to Mr W's IFA had a significant effect on when the pension transfer went ahead.

Cost saving to Prudential in transferring

In his complaint, Mr W highlighted the fact that Prudential informed him that his fund was not large enough to cover what it would cost them to provide his GMP. Mr W complained that giving him a transfer value that cost to Prudential was saving them money. So he thought they could honour the higher transfer value.

The cost to Prudential to provide his GMP is based on the annuity rates that they apply. It was different to the CETV because their rates weren't the same as market averages at that time. What an annuity might have cost Prudential though doesn't influence the transfer value. I explained earlier how the transfer value was reached. I can understand Mr W's frustration, but I can't ask Prudential to transfer more than his actual fund was worth.

Poor Service and communication

Mr W is unhappy with the service he received in general from Prudential. His issues are numerous and go back over a long time. I agree that Prudential failed to provide Mr W with the service they should have. I've seen evidence of letters with an incorrect contact number and with his name being incorrect. They acknowledge their late response to his IFA. I've seen other correspondence that indicate Mr W and his IFA struggled to get clear and prompt answers to some of their questions.

Prudential acknowledged many of these failings in their responses to Mr W's complaints. It was fair of Mr W to highlight these issues. I've considered the impact on Mr W because of them. It must've been frustrating for him to spend time and effort sending more correspondence than he should have. Overall though, I think that the apology offered, and compensation given, was a fair and reasonable way to have addressed the trouble and upset Prudential's poor service caused Mr W.

For the above reasons I don't believe that Prudential gave Mr W reason to believe that he was entitled to the transfer values quoted in any of the valuations he was provided. Similarly, I think that the way that Prudential addressed the issues with their service was fair and reasonable. So I won't be asking Prudential to do anything further to put things right.

My final decision

For the reasons given I don't uphold Mr W's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr W to accept or reject my decision before 10 August 2020.

Gary Lane
Ombudsman