

The complaint

Mrs H complains that The Prudential Assurance Company Limited gave her incorrect information about the expected investment returns on her pension savings. She also complains that a letter sent to her when her pension benefits were being paid was unclear, leading her to think that the cheques paying those funds had been lost.

What happened

Mrs H has made a separate complaint about a number of matters that led to her pension savings being invested in a cash fund, and then subsequently being paid to her. I will be issuing a separate final decision in relation to those matters so won't deal with them in this decision.

Mrs H has held pension savings with Prudential arising from a previous employment since 1994. Those pension savings were originally invested in a with profits fund but were transferred by Prudential to a cash fund as Mrs H approached her selected retirement date.

In August 2019 Mrs H discussed the returns that she might receive on her pension savings now they had been transferred to the cash fund. Prudential's records of that call, and Mrs H's recollections, suggest that she was told interest would be paid on her pension savings in the cash fund at a rate equivalent to the Bank of England Base Rate (0.75% at that time). That information was incorrect, and Mrs H says that despite her repeating it on a number of later calls with Prudential it wasn't corrected.

Mrs H decided to take her retirement benefits from Prudential towards the end of 2019. After she had completed the necessary paperwork Prudential wrote to Mrs H in February 2020 confirming that her pension benefits had been paid, as she had instructed, as a cash lump sum. It told her that two separate cheques had been sent. But those cheques weren't included with the letter – they were sent under separate cover. Mrs H says that wasn't made clear in the letter and so she was caused unnecessary worry thinking they had been lost.

Prudential agreed with much of Mrs H's complaint. It accepted that it had given her incorrect information about the interest rate that would be paid on the cash account. And it agreed its letter could have been clearer, and explained that the cheques had been sent separately. Whilst it wasn't willing to pay direct compensation to Mrs H in relation to the interest she'd been told she would receive, it offered her £150 for the trouble and upset she'd been caused.

Mrs H didn't agree with Prudential's response. So she brought her complaint to this Service. Her complaint has been assessed by one of our investigators. Overall he thought the offer Prudential had made to Mrs H was reasonable compensation for the incorrect information she'd been given about the interest rate, and the poorly worded letter she'd been sent. So he didn't think the complaint should be upheld.

Mrs H didn't agree with that assessment. So, as the complaint hasn't been resolved informally, it has been passed to me, an ombudsman, to decide. This is the last stage of our process.

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.

In deciding this complaint I've taken into account the law, any relevant regulatory rules and good industry practice at the time. I have also carefully considered the submissions that have been made by Mrs H and by Prudential. Where the evidence is unclear, or there are conflicts, I have made my decision based on the balance of probabilities. In other words I have looked at what evidence we do have, and the surrounding circumstances, to help me decide what I think is more likely to, or should, have happened.

At the outset I think it is useful to reflect on the role of this service. This service isn't intended to regulate or punish businesses for their conduct – that is the role of the Financial Conduct Authority. Instead this service looks to resolve individual complaints between a consumer and a business. Should we decide that something has gone wrong we would ask the business to put things right by placing the consumer, as far as is possible, in the position they would have been if the problem hadn't occurred.

Prudential has accepted that the information it gave Mrs H in August 2019 about the interest that would be paid on her pension savings in the cash account was incorrect. It told Mrs H that they would attract interest at the Bank of England Base Rate. That wasn't the case and in fact Mrs H saw no growth in her pension savings between July 2019 (when they were moved into the cash fund) and February 2020 (when her benefits were paid to her). So in line with what I said above, I don't need to decide whether anything went wrong here – that has already been established. I need to decide what it would be reasonable to ask Prudential to do, to put things right.

It seems to me that Mrs H was aware that her pension savings being in the cash fund would severely restrict the investment returns they received. But it also seems to me that, having been told they would receive interest at 0.75%, she decided to leave them in place whilst she considered her retirement options. The incorrect information was given to Mrs H on 5 August, and she completed her application to take her benefits on 18 January. So it is for that period that I would consider Mrs H lost out on the investment returns she had been promised – that is for her funds to grow at 0.75%.

So considering the size of Mrs H's pension savings, and the time period referenced above, I think it could be argued that she would have expected them to grow by around £98. But that additional income would have been paid to Mrs H as part of her pension lump sum. Therefore in assessing Mrs H's loss I should take account of the fact that it would have attracted income tax and so its value should be reduced by 20%. But Mrs H would have been able to take an additional tax free lump sum, so the reduction should be only applied to 75% of the interest. So I would calculate that the additional amount Mrs H would have received, had she been paid interest on her pension savings at the Bank of England Base Rate, would have been a little over £80.

The letter that Mrs H received when her pension benefits were being paid to her explained that Prudential had sent her two separate cheques. I agree that the letter wasn't sufficiently clear. Whilst I accept that it didn't specifically say that the cheques were enclosed, it didn't say that they weren't. I don't think it was unreasonable for Mrs H to assume the cheques would be enclosed with the letter, and so I can understand her fears that they had gone astray. And so I think it reasonable that Prudential pays her some compensation for the trouble and upset that this would have caused to her.

But overall, if I look at the financial loss I've detailed above that Mrs H suffered from the incorrect information about the interest rates, and the period of time where she might have been concerned that the two cheques had gone astray, I don't think compensation of more than the £150 that Prudential has already offered would be appropriate. It isn't clear to me whether Prudential has by now paid that sum to Mrs H – if it hasn't it should do so immediately. But I don't think Prudential needs to do anything further to resolve this complaint.

My final decision

For the reasons given above, I don't uphold the complaint or make any further award against The Prudential Assurance Company Limited.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs H to accept or reject my decision before 4 February 2021.

Paul Reilly
Ombudsman