

The complaint

Mr H complains that The Prudential Assurance Company Limited failed to correctly implement an instruction he gave to sell his pension investments. As a result he says he was left in a “short position” and exposed to unnecessary risk. He also complains that the charges Prudential took from his account during the time the error was being corrected were based on the wrong fund value. And he complains that Prudential was late paying him income from his pension savings in May and June 2020.

What happened

Mr H has been assisted by his financial advisor both in his dealings with Prudential and when making this complaint. But for ease I will largely refer in this decision to all communications as having been with, and from, Mr H himself.

Mr H held pension savings with Prudential in a Retirement Account. In March 2020 he instructed Prudential to sell his pension investments and hold his pension savings in cash. Prudential made an error when inputting that instruction resulting in a more units than Mr H held being sold. That problem meant the transaction failed to settle and that it wasn't correctly reflected on Mr H's retirement account.

Mr H's financial advisor discussed the account with Prudential in late April 2020. On that call he was incorrectly advised that some of Mr H's pension savings remained invested. Those investments had performed well so the value of Mr H's pension savings was incorrectly inflated by those investments.

Due to a system error Prudential failed to make income payments to Mr H in May and June 2020. And it seems that during that time Prudential changed its processes so it required Mr H's financial advisor to re-input the transactions to help correct its error. But that re-input also appears to have failed on a number of occasions due to problems with Prudential's systems. So Mr H's income payments were received far later than scheduled.

Prudential accepted much of Mr H's complaint. It agreed that it was responsible for the errors in the original sale of his pension investments. And it explained why, due to further internal errors, the recovery from those errors had been protracted. But it didn't think Mr H had been exposed to any “shorting risk” due to the error – it said that ultimately that risk fell on Prudential when it was putting things right. It apologised for the late receipt of the income payments in May and June 2020. And, following the involvement of our investigator, Prudential calculated that the charges it had taken from Mr H's account had been overstated by £3.89 due to the inflated fund value at that time.

Prudential paid Mr H £250 for the trouble and upset he'd been caused. And it paid him a further £5.11 reflecting interest (after the deduction of tax) on the late income payments it had made. But it said that the £250 in compensation should be considered sufficient to additionally compensate Mr H for the additional charges he had paid.

Mr H's complaint has been considered by one of our investigators. He thought that the actions Prudential had taken to correct its errors had been appropriate. And he thought that

the compensation it had paid to Mr H was reasonable given the circumstances. He didn't agree that Mr H had been exposed to financial risk by the errors. So he didn't think that the complaint should be upheld, or that Prudential needed to do anything further to put things right.

Mr 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 Mr 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.

There are many aspects of this complaint that are not disputed. Prudential accepts that it failed to correctly implement Mr H's instruction to sell his pension investments in March 2020. And it accepts that it failed to make the income payments that were due in May and June 2020 in a timely manner. So what I need to consider here is whether the actions Prudential has taken to correct the error it made when selling Mr H's pension investments, and the compensation it has paid to him, are reasonable.

Mr H, by way of background, has sent us information about two other complaints that Prudential upheld in 2018 and 2019. Whilst it isn't appropriate for me to detail in this decision the substance of those complaints, I think it right that I take note of them. They provide useful background to Mr H's frustrations with Prudential's administrative functions, and no doubt lead to his scepticism over the actions Prudential says it has taken to resolve the problems that arose in the first part of 2020.

There has been much debate between Mr H, Prudential, and our investigator, about whether the problems that arose with the sale of Mr H's pension investments should be considered to be "shorting" – and indeed whether that is allowed by the terms of the pension scheme. But I don't think that is something that I need to consider in any depth. I think what is important here is the intention behind the instruction that Mr H gave to Prudential, and ensuring that transaction was completed correctly.

Mr H asked Prudential to sell all of his pension investments. Prudential didn't input that transaction correctly – representing the transaction as a monetary amount rather than a number of investment units. So a change in the value of those units resulted in more being sold than Mr H held. But I am entirely satisfied, and Prudential accepts, that the error was not caused by anything Mr H did. So I agree with Prudential that the responsibility for any problems arising from that error remained with Prudential. Mr H didn't ask Prudential to undertake a “shorting” transaction so whether or not that would be allowed under the scheme rules is to my mind entirely irrelevant to his complaint.

I have looked carefully at the steps Prudential has taken to correct the error. Those steps were complex – and made more so by delays to their implementation when a member of staff left Prudential's employment and failed to effectively handover their outstanding work. But, put simply, Prudential needed to correct Mr H's account to reflect the position he would have been in had the transaction been correctly processed when it was first instructed. I am satisfied that the corrections Prudential has made mean that the cash held in Mr H's retirement account is a fair reflection of the value it would have had if nothing had gone wrong.

It is disappointing that the information given to Mr H's financial advisor when he spoke with Prudential on the phone was incorrect. But that was simply a result of the original error, and Prudential's advisor's failure to correctly interpret the information shown on its systems. But I think the changes that occurred in the stated amount of Mr H's pension savings fairly reflect the correction of the error, and don't suggest that Prudential has miscalculated their value.

I agree with Mr H that Prudential failed, when it made its original corrections, to revise the charges it had levied on his account. Those charges are based on the value of his pension savings. So since the value was incorrect, the charges calculation was also incorrect. I have looked at the information Prudential has provided about those charges and am satisfied that it has now correctly assessed that Mr H was overcharged by £3.89. Whilst it is disappointing that Prudential failed to acknowledge that overcharging in its original response, I don't think the amount is such that I need to direct the firm to pay additional compensation to Mr H.

As I have said earlier, by March 2020 Mr H's pension savings were (or at least should have been) held in cash. So the delays in the payment of his income in May and June 2020 were not offset by any investment returns. In situations such as these I would expect a business to compensate a consumer by paying interest, at a rate of 8% simple per annum, for the period of the delay. This is what Prudential has paid to Mr H, so I think it has fairly compensated him for the delays.

There is no doubt that, these errors and delays, so closely following the problems Mr H has told us about in 2018 and 2019, would have caused him a great deal of trouble and upset. I can entirely understand why he might have little faith in the corrections that Prudential performed and ask for an independent body, such as this Service, to provide some reassurance of their accuracy. I hope that, in this decision, I have provided that confidence to Mr H.

I think the payment that Prudential made to Mr H, to reflect the trouble and upset these errors caused to him, is in line with what I would expect in these circumstances. So whilst I understand that my decision will be disappointing for Mr H I don't think that Prudential needs to do anything further to put things right.

My final decision

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

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H to accept or reject my decision before 25 August 2021.

Paul Reilly
Ombudsman