

The complaint

Mr C complains that The Prudential Assurance Company Limited (Prudential) failed to deal with a request to transfer his pension savings to another product in a timely manner. As a result he says the value of his pension savings was reduced by approximately £36,000.

What happened

Mr C held a drawdown pension within Prudential's Flexible Retirement Plan (FRP). On 12 March 2020, after the Covid 19 pandemic had been announced, Mr C's Independent Financial Adviser (IFA) advised him to switch from his FRP to Prudential's Retirement Account. This was because the Retirement Account allows changes – including fund switches - to be processed online. This functionality was deemed useful in view of the previous market volatility brought about by the pandemic.

The FRP's key features document explains how Unit Price Adjustments (UPAs) can be applied. It states: *"The PruFund funds have an established smoothing process which uses Expected Growth Rates, and where required, Unit Price Adjustments, to deliver a smoothed investment journey. It aims to provide you with some protection from the extreme short-term ups and downs of direct investment. However, the value of your investment can go down as well as up so you might get back less than you put in."*

"For the PruFund range of funds, we may decide to reset the unit price of a PruFund Fund to the unsmoothed price on a particular day, to protect the With-Profits Fund".

Mr C's IFA was aware of the potential for UPAs. The terms and conditions for the Retirement Account show that a similar adjustment is also possible within that account.

Mr C's request to transfer into the Retirement Account was initiated on 12 March 2020. Prudential created the transfer request work item needed on 13 March 2020. But on 17 March 2020, a negative Unit Price Adjustment (UPA) of 11.99% was applied to Mr C's FRP before the transfer had been completed.

On 18 March 2020 the FRP team started work on Mr C's transfer request. But noted that Mr C's income payment was already in the BACS run due to leave on 20 March 2020. Given this, the FRP team needed to wait for the income payment to reach its due date, when the units would be deducted from the FRP. They updated the transfer system to let the Retirement Account team know there would be a disinvestment delay due to the pending income payment. The transfer value price date for Mr C's transfer was taken as at 21 March 2020.

Mr C's IFA said he advised the same change from the FRP to the Retirement Account for 16 of his other clients. He said that he made the request for Mr C's transfer first. He said all of his other 16 clients were transferred to the Retirement Account on 16 March 2020, before the UPA took effect. So he complained to Prudential on Mr C's behalf. He felt that they hadn't adopted the principles of "Treating Customers Fairly" – a regulatory requirement - for Mr C. He felt that Prudential should backdate the transfer as if it took place on 16 March 2020.

Prudential didn't uphold the complaint. They said that the transfer request had been processed within their standard timescale of five working days. They said that as there are several work queues, transfer requests aren't processed in chronological order. They noted how Mr C's income payment had been processed. And they said that each stage of the transfer process had been processed within their service level agreement timescales.

Unhappy with their response, Mr C brought his complaint to this service. Our investigator didn't think Prudential had acted unfairly or unreasonably. He felt that they'd followed the terms and conditions on Mr C's policy.

Mr C didn't agree. He said that in an email from Prudential dated 14 April 2020 it stated that only three working days were required to discharge funds before an income payment is due. If this was the case, his transfer could've been carried out before the UPA was applied to his FRP. So his complaint has come to me for a review.

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.

Having done so, I'm not going to uphold it. I'll explain why.

Mr C and his IFA have provided some detailed information to support his complaint and I thank them for that. It's clear that, in an ideal world, Prudential could've transferred his pension savings from the FRP to the Retirement Account sooner. This could've meant that Mr C avoided the UPA that was applied on 17 March 2020. Despite that, having looked at all the evidence, I'm not persuaded that Prudential did anything wrong.

When Mr C made his transfer request, it was against a backdrop of great market volatility. So Prudential were facing a degree of pressure on their investment funds I think it fair to assume that meant that there were a number of other consumers in a similar position to Mr C, making similar requests to transfer or disinvest their pension savings. At the point Mr C made his transfer request, it couldn't be known that a UPA was imminent.

Prudential said: "*When cases are keyed on [the transfer system], they are not allocated in chronological order. Cases are allocated into several work queues to be actioned within the 5-day SLA*". They also said that their Service Level Agreement (SLA) for starting work on a transfer request is five working days. And that this is deemed to be reasonable by the Financial Conduct Authority.

Prudential also said: "*a customer may not have been mistreated just because they know a separate request/ requests for another/ other customers was processed more quickly than their one. This does not necessarily mean we have treated that customer unfairly as is the case with Mr C's. Each client's plan is unique and I cannot comment on why another client's case was processed quicker. As I am sure you can appreciate there may be factors for this such as another client not having an income payment going through the BACS run*".

Mr C's request was picked up after three working days, so within Prudential's five-day SLA. Although it's clear from his IFA's experience that other clients experienced a quicker process, this wasn't guaranteed. Mr C's transfer request was additionally complicated by his income payments.

Prudential confirmed to this service that income payments from the FRP were made to Mr C

on a monthly basis. They said that the payment date was usually the 20th of the month. And explained that they needed to disinvest the monies in time for the payment to go in the BACS run. The disinvestment usually occurred between 15th – 17th of the month.

Prudential also said that their terms and conditions advise that any income payment will be made first and then the new transfer value calculated the day after. Having reviewed Section 23 of the FRP Technical Guide which covers transfers out, I'm satisfied that this is correct.

It's undeniable that if Mr C's transfer request had been progressed more quickly he might've avoided the reductions in value that the UPA imposed. But Prudential have said that as Mr C received income payments from his FRP, his transfer was always going to be subject to the UPA on 17 March 2020, given the date of the transfer request. They said that the terms and conditions of the FRP state that two weeks is required to stop income payments. Section 18 of the FRP Technical Guide – Benefits payable to the member, lump sum and income payments confirms under 18.13 that two weeks' notice is needed to stop an income payment. So, given Mr C's pending income payment was less than two weeks away at the point of his transfer request, the earliest the transfer could take place under the FRP's terms and conditions was the day after the income payment.

There was no requirement for Prudential to process Mr C's transfer request sooner than they did. However, Mr C and his IFA have asked me to consider the information included in an internal Prudential email they've had sight of.

Information included in 14 April 2020 internal Prudential email

This email contained the following question and answer:

Question: "Would you confirm how far in advance of income payment date can we discharge the funds before the income is due?"

Answer: "On BaNCS income payment are released in the BACS payment run 3 working days before the income payment is due to be in the P/holders account."

Mr C and his IFA said that this information shows that Prudential had enough time to complete his transfer request despite the pending income payment. Mr C has also asked me to confirm what further evidence Prudential have provided this service with to show that they can't discharge funds within three working days.

I acknowledge that the 14 April 2020 email Mr C has seen contains information that looks inconsistent with the terms and conditions. But Prudential said that the information in the 14 April 2020 email was an internal email which shouldn't have been shared. They said that the timescale to stop an income payment is two weeks, as detailed in the terms and conditions, not three working days. They also noted that the 14 April 2020 email went on to state that the key to how long a transfer will take to process is the date that the team process the transfer claim. That email stated: "*So although the transfer request might have been received 5 working days before the income is due if we did not pick up the transfer to deal until day 2/3 then the income would then be in the BACS payment run and we could not process until the units had been deducted from the plan which happens on the income due date*". Mr C's transfer request was picked up after three working days, so he found himself in the position explained here.

Given the 14 April 2020 email, I think it's important for me to make the very clear distinction between what Prudential "could" do, and what Prudential "should" do. Their internal email shows what is possible under certain circumstances. But their terms and conditions express their commitment to certain timescales for certain processes. The 14 April 2020 email also

clearly states that in cases where the transfer request isn't picked up immediately, the pending income payment can cause a delay to the transfer process. So this e-mail explains both what's possible, but also how it might work in practice – possibly leading to a delayed transfer due to the pending income payment. And I'm satisfied it wouldn't be fair or reasonable to ask Prudential to commit to the minimum possible timescales covered in their 14 April 2020 email given the additional explanation that email included. And given the terms and conditions clearly state the timescales a customer should expect.

I also note that the FRP's terms and conditions don't explicitly outline how long a transfer will take. Looking at the transfer process from start to finish and taking account of the complicating factor of the income payment, I'm satisfied that the transfer was dealt with in a reasonable timescale.

I appreciate how disappointing my decision will be for Mr C. But the available evidence doesn't support the position that Prudential made a mistake or failed to meet the terms and conditions under his pension policy.

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 C to accept or reject my decision before 8 October 2021.

Jo Occleshaw
Ombudsman