DRN-2892483

## The complaint

Mr R complains that The Prudential Assurance Company Limited ('Prudential') caused delays in processing his drawdown and pension commencement lump sum ('PCLS') request, which has meant he's lost out.

## What happened

At 12:23pm on 17 March 2020 Mr R, via his financial adviser, made an electronic request to move his pension into drawdown and take a PCLS, otherwise known as tax free cash. On 1 April 2020 Mr R's adviser asked to cancel this, saying he no longer needed the funds. But it was authorised the next day and paid to Mr R on 8 April 2020. This was £8,197 less than he expected due to unit price adjustments ('UPA') being applied on 17 and 19 March 2020.

Mr R complained to Prudential that, in summary, the UPAs wouldn't have applied had his request been authorised on 17 March 2020 and Prudential doesn't make its service level agreements ('SLA') clear. He also said that on 15 March 2020 he asked to add a single contribution of £1,920 (net) to his retirement account, which was incorrectly included in his PCLS meaning won't accumulate future possible beneficial interest in the fund.

In response, Prudential said its system didn't automatically process Mr R's PCLS request, so its internal SLA of 10 working days applied. It said it isn't required to publish these and its terms and conditions say requests will be processed as soon as reasonably practicable. It said Mr R's funds had to be sold to pay the PCLS from his cash account and its SLA for disinvestment is six working days.

It said while this should have happened by 25 March 2020, rather than 2 April 2020, and then been cancelled on 1 April 2020 as per Mr R's request, the UPA's would have always affected his fund in that case. Prudential paid Mr R £150 compensation and £101.12 in interest (after tax) for the delay in paying his PCLS though. It also offered to take it back for reinvestment and check if there was any lost growth due to failing to cancel his request.

Prudential also said it should have paid Mr R's contribution to his account on 25 March 2020, instead of on 1 April 2020. And this, alongside the PCLS delay, meant it was included in the crystallised amount. It calculated £21.37 in lost growth on this, which it said it's added to Mr R's retirement account, and it paid him a further £100 compensation.

Unhappy with this, Mr R brought his complaint to us. Prudential has since said its offer to take the PCLS back is no longer open. And Mr R said he doesn't want to return it, as he'd always wanted it and he doesn't want to risk it being vulnerable to fluctuation again.
One of our investigators looked into it and said Prudential didn't guarantee the value and it acted within its terms and conditions by applying the UPAs. He said it offered to reinstate his PCLS, which would have put Mr R back in the position as though his instruction hadn't been given, and that by refusing this he's accepted the price. He also said the £250 compensation Prudential's already paid was fair and reasonable.

Mr R didn't agree, so the complaint's been passed to me for a decision. I told Prudential that I currently think the real issue is an initial system error, rather than whether it met its SLAs.

I said I appreciate its terms and conditions say requests will be processed as soon as reasonably possible. But I can see Mr R's request couldn't be automatically processed due to a system error and there's no evidence this was due to anything particular to it that needed resolving. In fact, its internal email on 2 April 2020 said '*As far as I can see all checks came out as a pass so the crystallisation and sell down should have happened straight away. For some reason the payment did not authorise…*'.

I said it seems that it's only where checks fail and further requirements are needed that requests such as Mr R's can't be processed automatically. So I don't think it's unreasonable that Mr R's told us he expected the process to be almost instantaneous. Especially when there's no suggestion his adviser would have been alerted to the error to think something had gone wrong. So I said that I'm minded to say Mr R shouldn't have to bear the impact of this, with his fund value left vulnerable to market fluctuations and UPAs for longer. Particularly when this could leave him disadvantaged compared to another customer in a similar position who didn't encounter such an error.

Prudential replied saying, in summary, that there was no system error. It said the fund value fluctuates depending on performance and a request doesn't 'lock in' a price. And that the account terms and conditions don't say it's required to inform customers of delays and there's no timescale mentioned for the process to be completed. It also said the internal email I've referred to is from one of its points of contact for IFAs and their perception was before the complaint had been investigated.

Prudential said Mr R's PCLS request was submitted shortly after the pricing point at 12:00 midday on 17 March 2020. A UPA was announced later that afternoon and again on 19 March 2020, as per the account terms and conditions. PCLS must be paid from the cash account, so funds had to be sold and moved to that first. Its SLA could be considered longer than expected as it processes such a request manually rather than electronically, as further checks are required when moving funds into drawdown. It has six working days to sell the units and there's no guarantee this would be done by the next valuation point on 18 March 2020, by which time the UPA announced the day before would have applied.

It added that other transactions were going through the system, such as a product charge due to be deducted on 21 March 2020 and an ongoing adviser charge, both of which required a sell down of funds to be paid in cash. And funds were being purchased in relation to the £2,000 contribution Mr R made on 12 March 2020. And that this all means Mr R was always going to be subject to the UPAs. It said the only way he might have been able to avoid this was to return the funds, which he refused.

I let Mr R know that I think it's likely that a system error – which I don't think he should have to bear the impact of – meant Prudential couldn't process his drawdown and PCLS request automatically. And if this had been done automatically, rather than based on Prudential's SLA, I think his request is likely to have achieved a sale sooner than it did. So I think Prudential should establish if he's at a loss as a result. I said the redress method I intend to recommend means it's likely the first UPA would still apply though, as his request was submitted at 12:23pm on 17 March 2020, which means he missed the price point cut off at 12:00 midday that day and the UPA was announced later that afternoon.

And, in response, Mr R said he was happy for me to proceed.

**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.

Where the evidence is unclear, or conflicting, I've looked at the information available to help me decide what I think is more likely to, or should, have happened. And having considered Prudential's most recent response alongside all the information, I'm not persuaded Mr R's request couldn't be processed automatically due to further checks being needed when moving funds into drawdown. I'll explain why.

When answering Mr R's complaint Prudential said its system should process this automatically but as it didn't it looks to its standard SLA, rather than saying the type of request he made needs to be done manually *due to* further checks. The first time Prudential has gone as far as to say this was due to further drawdown checks was in response to my initial thoughts.

One of Prudential's final response letters does say the drawdown request cannot be completed electronically so it's manually processed, but it doesn't say why. And when our investigator drew this to Prudential's attention and asked for more information about its process, it said there was a system error which meant Mr R's request couldn't be automatically processed, so it was allocated to a case handler to complete manually.
At the same time Prudential sent us screenshots of the system error, where the message said it was '*Unable to calculate Cash Survey for account*' and that '*There are outstanding commitments*…'. And when it answered our investigator's further question about why its system failed to process the request automatically, it said it couldn't explain this system error, as it was just that, an error and it can't provide any other details or explanation for this.

So it seems to me that Prudential's explanation of what happened has evolved over time. And, taking everything into account, on balance, I think it's likely a system error – which I've seen evidence of and Prudential hasn't been able to explain – stopped Mr R's request being processed automatically when it otherwise would have.

Prudential's said a request doesn't 'lock in' a price as sell down still needs to take place. And that there's no guarantee funds would be sold or disinvested at the next valuation point on 18 March 2020, by which time the first UPA would have taken effect. I also appreciate Prudential's comments about its internal email dated 2 April 2020.

But more than one UPA was applied. And given that email contained the view of its point of contact for IFAs, it's reasonable to think they know what usually happens when requests such as Mr R's are made. So I think it's fair to place some weight on their view that as checks came out a pass sell down should have happened straightaway in Mr R's case. This is also in line with Mr R's comments that he expected the process to be almost instantaneous given his conversations with, and the experience of, his adviser. And it seems reasonable to me to think Prudential's automatic process is much quicker than its manual SLA based process, where it has six working days to sell units.

Prudential hasn't explained why the other transactions would have impacted the automatic process on 17 March 2020. And I can't see why they would, as the product charge wasn't due until 21 March 2020 and the ongoing adviser charge wasn't taken until 24 March 2020. If Prudential is referring to the single contribution it received from Mr R on 15 March 2020, it didn't invest this until 1 April 2020. And, even if it's referring to an earlier contribution, it hasn't explained why purchasing funds using this would have impacted on existing funds being sold to generate enough cash for the PCLS or how long this would have taken.

In summary, it seems to me that the majority of requests of this nature would be processed and achieve a sale much sooner than Mr R's was, if not straightaway. And I don't think it's fair for him to be disadvantaged by a system error. In which case, considering I can see

Mr R's request was made after the 12:00 midday price point cut off on 17 March 2020, I think a fair and reasonable outcome is for Prudential to use the price point I've detailed in 'Putting things right' below to establish if he's experienced a financial loss as a result.

I note Prudential received a request to cancel Mr R's PCLS before it was paid. And that he later refused its offer to return this for reinvestment and to see if he experienced a loss. But this doesn't change my decision, as Mr R has said he always wanted the PCLS and I think the cancellation request was made by his adviser in an attempt to help avoid the impact of the UPAs. And I don't think he needs to return it for Prudential to see if he's experienced a loss due to the earlier system error.

For completeness, Mr R doesn't seem to be disputing what Prudential has done to put right its error with his £1,920 single contribution, so I haven't considered this any further. And I think the £250 in total compensation Prudential's already paid Mr R is a fair and reasonable amount in the circumstances, especially considering it has tried to make up for its errors.

## Putting things right

Prudential should recalculate the sale proceeds Mr R would have achieved, and therefore available as the PCLS, had the sale of the relevant part of his pension savings been completed at the first pricing point available after 12:23pm on 17 March 2020. I understand the sale would only have applied to the relevant 25% of Mr R's pension, so should have no impact on his remaining investments that were crystalised by the transaction. If this would have resulted in Mr R receiving a higher PCLS, the additional amount should be paid to him.

Prudential should add interest to any additional amount it pays Mr R at a rate of 8% per annum from the date the PCLS was originally paid to the date of settlement. HM Revenue & Customs requires Prudential to take off tax from this interest. It must give Mr R a certificate showing how much tax it's taken off if he asks for one.

## My final decision

For the reasons I've given, my final decision is that I uphold Mr R's complaint and direct The Prudential Assurance Company Limited to put things right in the way I've detailed above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr R to accept or reject my decision before 22 June 2022.

Holly Jackson
**Ombudsman**