DRN-2943510

The complaint

Mr L complains that he has suffered a financial loss because Prudential Assurance Company Limited delayed the payment of his pension tax free cash. He also complains that he received poor customer service.

What happened

Mr L contacted Prudential in September 2019 to obtain the options for taking his pension. Specifically he asked Prudential for a number of annuity quotations. There was a phone call in the latter part of September 2019 to discuss the available options during which it was agreed that Prudential would send Mr L various quotes. Despite Mr L chasing Prudential for the quotes they were not sent, so in December 2019 he complained. Prudential looked into the complaint and upheld it. It said Mr L had experienced long call waiting times and that there had been a delay in providing him with his quotes. Prudential paid Mr L compensation of £200.

Prudential sent Mr L his retirement quotes in January 2020 and he made his selection towards the end of the month. Despite doing so, Mr L continued to receive poor customer service, so in late January 2020 Mr L complained to Prudential again. He said he was unhappy about the delays in processing his pension claim and Prudential's failure to call him when promised. Prudential processed Mr L's selection in March and he received the tax-free cash into his bank account in early April.

Prudential issued its final response to Mr L's complaint in May 2020. It agreed he had received poor customer service on his retirement journey for which it was sorry. Prudential said it had a duty of care to help its customers along their journey and to make it as straightforward as possible. It said that as Mr L's journey had taken 7 months it'd clearly let him down. To apologise for the trouble and upset it had caused him, Prudential paid Mr L further compensation of £500. In addition, as it had delayed the processing of his pension, it had looked at whether the delay he'd suffered had caused him any financial disadvantage. Prudential said, if the process had gone according to plan, Mr L's pension should've been settled on 8 October 2019.

But Prudential went on to say that if Mr L's pension had been settled then, the value of his fund would've been lower resulting in a smaller tax-free cash payment and a smaller annual annuity. So Prudential said it was setting up his annual annuity with a revised start date of 4 December 2019 as Mr L's fund was worth more on this date. Prudential said that the tax-free cash should've been paid on the same date but wasn't actually paid until 30 March 2020. So Prudential calculated interest on the tax-free cash amount from 4 December 2019 to 30 March 2020 – equating to £497.71 (using this service's rate of 8% simple per year).

Prudential also said it'd noticed it'd continued to collect Mr L's premiums from him in error from December 2019 to March 2020 which had now been refunded to him but it was also adding interest to them totalling a further £2.74.

Prudential also referred to a conversation it'd recently had with Mr L when he'd mentioned it'd been his intention to invest his tax-free cash in mid-March 2020 into a particular share when its price was at its lowest as he'd wanted to capitalise on the state of the stock market. Prudential acknowledged Mr L's complaint that the delay in it paying his tax-free cash might have prevented him from being able to make the investment but said that it was difficult to assess compensation for any financial loss based on an intention. So, it said, it would need to see evidence of other shares Mr L had purchased around the middle of March 2020, or since, before it could consider the loss Mr L said he'd suffered.

Mr L told Prudential he wasn't satisfied with the outcome of his complaint. He said his health conditions had deteriorated as a result of the worry Prudential had caused him. Mr L sent Prudential some contract notes for shares he had bought along with his shareholding statement to assist it with his complaint about the delay in paying his tax-free cash causing him a financial loss as he'd been unable to take advantage of a low price for a particular share. Mr L said it was still his intention to use his tax-free cash to buy the same shares once his complaint with Prudential was concluded. Mr L also complained about the number of different complaint handlers that had dealt with his complaint.

Prudential looked again at Mr L's complaint and issued a second final response letter in late July 2020. It apologised again for the shortcomings in the customer service Mr L had received and the number or different complaint handlers that had dealt with his complaint. Prudential paid Mr L a further £100 in compensation for the trouble and upset he'd been caused. It said that it was unable to complete a financial loss calculation until Mr L had invested in the shares.

Mr L went ahead and purchased the shares in July 2020 by which time they were at a higher price than they had been in March 2020. Mr L sent the information about the purchase to Prudential so it could consider his financial loss. After chasing Prudential throughout September 2020, Mr L's complaint was passed to a new complaint handler who told him he would now carry out a financial loss assessment. Six weeks later, when he'd heard nothing further, Mr L chased Prudential again and was reassured he'd receive a call back. When he didn't, he called again in early December 2020.

Prudential issued its third final response letter on 17 December 2020 paying Mr L a further £150 in compensation for the trouble and upset its poor customer service had caused him. But in respect of his complaint about suffering a financial loss as a result of being unable to purchase the shares he wanted in March 2020, Prudential said it'd seen no evidence of any intention by Mr L to buy the shares prior to April/May 2020. So, it said, it was unable to agree to his request for financial compensation for the loss he was claiming.

Mr L told Prudential he was very disappointed with the outcome of his complaint. He said Prudential's complaint handler had told him in July 2020 to buy the shares and send in the contract note when he'd done so. He repeated his complaints about the poor service he'd received and he said he'd been told by two complaint handlers that they would calculate his financial losses for not being able to buy the shares in March 2020 but they had not done so.

Prudential called Mr L at the end of January 2021 and said it was sending him a further £250 in compensation for the trouble and upset he'd been caused. It also told him it would not be compensating him for any loss of investment value because there was no evidence to suggest he wasn't making his claim with the benefit of hindsight. Mr L said he'd have never purchased the shares in July 2020 if Prudential hadn't "insisted" he needed to so it could calculate his financial loss.

Prudential issued a further final response letter at the end of January 2021. It said it thought its stance on the purchase of the shares was a reasonable one but said it understood that it was difficult to evidence an intention to do something. Prudential said it thought the interest it had paid Mr L for the delay in making the tax-free cash payment was appropriate as the amount paid was greater than the FTSE 100 investment growth over the same period. But it also thought that it'd failed to handle Mr L's complaint as efficiently as it should have particularly in relation to a lack of strategy when asking for evidence of share buying. It said the involvement of numerous complaint managers meant its message was not always clear and consistent. Prudential acknowledged its communications in July 2020 may have led Mr L to make the share purchase so, it said, if he now felt he shouldn't have done so he should sell them in order to mitigate his loss. It said it would then look at any loss made and, with evidence, put him back in the position he would've been but for the purchase. Prudential referred to the £250 compensation it had recently mentioned it was going to pay him.

In February 2021, Mr L complained to this service. He said that with his tax-free cash of £24,060 he could've bought 2704 shares at their lowest price in March 2020. When he purchased the same amount in shares in July 2020 though, he'd had to pay £33,300. After deducting charges he said he'd suffered a loss of £9,420. Mr L said this was the amount he sought from Prudential. And he said it should compensate him for the impact its actions had had on his health.

Our investigator looked into Mr L's complaint, first obtaining Prudential's consent to look at all the complaints he'd made back to January 2020. She noted that the service Mr L had received from Prudential had caused a fair amount of frustration, disappointment and anxiety which she thought, along with the delay in processing Mr L's pension, was avoidable. But our investigator also noted that Prudential had paid Mr L total compensation of £1,200 which she thought was fair in all the circumstances and in line with this service's approach to compensation payments. So she didn't recommend that Prudential pay Mr L any more compensation.

With regard to Mr L's complaint about the lost investment opportunity as a result of the delay in processing his pension selection, and the financial loss Mr L ended up incurring by buying the same amount of shares at a higher price, our investigator didn't think Prudential had treated Mr L unfairly or unreasonably. She thought Prudential's backdating of Mr L's annuity and tax-free cash to December 2019 when his fund was worth more and adding interest for the delays was in line with this service's guidelines. And she thought its offer to consider Mr L's loss if he had sold the shares again was also fair and reasonable in the circumstances. So our investigator didn't recommend that the complaint was upheld.

Mr L disagreed with our investigator's findings. He said he remained unhappy that two different complaints managers had said they would calculate his financial losses but neither had done so. Mr L thought Prudential should honour those offers. He also said that our investigator hadn't taken the impact his dealings with Prudential had had on his health into account. Our investigator replied to say that she had and that she thought the compensation offered by Prudential overall was fair.

The complaint was passed to me for a 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.

With regret for the disappointment I know my decision will cause Mr L, I don't think his complaint should be upheld. I'll explain why.

Poor customer service and delays

I've set out the sequence of events in some detail above, so I hope that Mr L is reassured that I've considered all aspects of his complaint and have understood, in full, what happened. I can see, and appreciate, that he experienced a significant degree of frustration and inconvenience by the overall handling of his pension set-up.

But it's not in dispute that Mr L received poor customer service from Prudential. Prudential has admitted the service Mr L has received between September 2019 and January 2021 (the date of its last final response letter) was unsatisfactory. I can see it has apologised to Mr L and I can see that it has paid him compensation totalling £1,200 for the trouble and upset the shortcomings in its customer service has caused him.

It's my role to decide, taking all the circumstances into account, whether Prudential has treated Mr L fairly and reasonably in how it has addressed this aspect of his complaint and I have to say that I think it has. Indeed, if this complaint had passed across my desk without any compensation having been paid, I have to say that is unlikely that I'd have awarded any more than £1,200. I've thought too here about this service's approach to compensation awards and I think that the amount paid by Prudential to Mr L is fair and reasonable in the circumstances and is in line with this service's approach to such awards in general; I'm not minded to award any more.

I would like to reassure Mr L that in considering £1,200 to be a fair and reasonable amount to pay him for the trouble and upset he was caused, I have taken into account his comments about his health conditions and how they were affected by the stress caused by the delay in getting his pension processed and by Prudential's consideration of his financial loss claim.

It also isn't in dispute that Prudential delayed the processing of Mr L's pension. As it says itself, if things had gone according to plan then Mr L's annuity should've been set up and his tax-free cash paid by 8 October 2019. As it was, it wasn't until the 30 March 2020 that this was completed.

I have to look at what Prudential did about the delay it caused and decide if it responded fairly and reasonably – I think it did and I'll explain why. When Prudential issued its final response letter in May 2020 which responded, amongst other things, to Mr L's complaint about the delays he'd experienced in the processing of his pension, Prudential stated that if Mr L's pension had been processed in a timely way then his pension fund would have been smaller on 8 October 2019.

Prudential looked at the fund and noted that Mr L's fund was worth more on the 4 December 2019 so, it said, it would use this as date the start date for his annual annuity and the payment of his tax-free cash. I think that's fair. This meant that Mr L received tax-free cash of £24,060.84 as opposed to £23,772.42 on 8 October 2019. Mr L's annual annuity payments were also higher - £8,402.88 (gross per annum) against £8,221.56 per annum in October 2019. I think that Prudential treated Mr L fairly and reasonably by identifying the date at which his fund was worth the most and using that figure when processing his pension.

And I think Prudential also treated Mr L fairly by paying him interest on his tax-free cash from 4 December 2019 to the date it processed the payment, namely 30 March 2020. I can see the interest paid totalled £497.51 (net of income tax) and was calculated using this service's usual rate of 8% simple per annum. And I can see this interest payment also included interest on the interest (from 30 March 2020 to the date of the first final response letter namely 14 May 2020). A further amount of £2.74 in interest was also paid on the premiums Prudential continued to collect (in error).

So whilst I fully accept that Mr L was financially disadvantaged by Prudential's failure to process his pension request in a timely manner, and by continuing to collect premiums from him when it shouldn't have, I think that the interest it has paid Mr L fairly and reasonably compensates him for those failings.

I also considered whether Prudential should've backdated the interest it paid Mr L to October 2019 but I don't think it should have. I say this because, to do so would've meant that the value of Mr L's fund would've been lower at that point. And, as I've set out above, the tax-free cash figure used to calculate the interest would also have been lower. So I don't think Mr L has been treated unfairly by Prudential not backdating his interest to October 2019.

Lost investment opportunity

Mr L has said that if Prudential had paid him his tax-free cash when it should then he would've used it all to buy a particular share when it was at its lowest price in mid-March 2020. He said the fact he was unable to avail himself of this opportunity has caused him to suffer a financial loss because when he did purchase them in July 2020, the same number of shares cost him over £9,000 more to buy.

As I've stated above, Prudential has said that if Mr L's pension had been processed on time he'd have been paid his tax-free cash in October 2019. Because of the type of loss Mr L is asking Prudential to compensate him for, I need to consider what is likely to have happened if Mr L had received the tax-free cash payment on time. I can see that Mr L did in fact purchase a small share-holding of the same share in October 2019. But I can also see that the share price at that time for that share was 2228.01 pence. Mr L has said that if he'd received his tax-free cash at the start of March 2020 then he'd have purchased the shares at a price of 889.70 pence per share.

It can be easy, with the benefit of hindsight to say certain decisions would've been taken at certain times but it is very hard to conclude that it was possible to predict that the share price would've dropped so significantly because of the global pandemic. And I can't see that Mr L informed Prudential at any point that he needed to receive his tax-free cash as soon as possible because an investment opportunity depended on it. The first I can see that the investment in the shares was mentioned to Prudential was in late April/early May when it contacted Mr L by phone to discuss his complaint. So I don't think Prudential was on notice that Mr L wanted to make the investment or that it had the opportunity to take any steps to address the urgency of the issue.

And I can't ignore that Mr L didn't purchase the shares in April 2020 (having received his tax-free cash) when the share price was between 1348 and 1492 pence per share – still significantly lower than in October 2019 when Mr L had been happy to purchase a small shareholding for a much higher price.

I don't think I can reasonably uphold this aspect of Mr L's complaint because I've not seen any evidence that he definitely would've purchased the additional shares on the one day in March 2020 when they hit their lowest point. Mr L's investment pattern suggests that he was investing in shares (at a much higher price) in October 2019. So whilst I don't doubt he may have purchased additional shares had his tax-free cash been made available to him sooner I've not seen any evidence that he would've waited to the middle of March 2020 to do so. The other investments Mr L has made don't support this strategy of investment.

So, had Prudential not caused any delays then Mr L would've received his tax-free cash in October 2019 and I think it's reasonable to say – based on his previous actions – that this is the point that Mr L is most likely to have invested in the shares. Whilst the small quantity of the same shares purchased in October 2019 indicates that Mr L may not have invested all his tax-free cash at the time if he'd had it, the fact remains that the share price in April 2020 was much lower than it was in October 2019 (when Mr L was with funds) so I can't reasonably conclude that he was disadvantaged by the delay.

Separately, Mr L says he was encouraged by Prudential to buy the shares (in July 2020) so he could evidence his intent to invest and so it could then calculate the loss he'd suffered. I can see that he was told by two complaint handlers that they would undertake this calculation. Mr L thinks Prudential should be made to honour its promise to calculate his loss using the shares he bought in July 2020.

Partially, this aspect of Mr L's complaint goes to the poor customer service element of his complaint that I've already considered above. I can see that part of the overall compensation payment made by Prudential was for the lack of strategy, clarity and inconsistency on the part of its numerous complaint handlers when asking Mr L to evidence his share buying. I can appreciate why Mr L wants Prudential to be made to honour the reassurances it gave him that it would calculate his financial loss. But Prudential has changed its mind about how it wants to address this part of Mr L's complaint and I have to decide if what it has now said – that it has financially compensated Mr L for the mixed messages he received – along with its offer to subsequently address any loss if Mr L sold his shareholding – is fair and reasonable.

I am satisfied that the overall compensation Mr L has received from Prudential has fairly addressed this aspect of his complaint. And insofar as Mr L's complaint about being encouraged by Prudential to belatedly purchase the shares in July 2020 goes, I think the alternative steps (by which I mean alternative to the previous reassurance that it would undertake a loss calculation) taken by Prudential to address the issue are reasonable in the circumstances. It told Mr L in January 2021 that if he felt he wouldn't have bought those shares then he could sell them as soon as possible to mitigate his loss. Prudential said that it would then consider any evidenced loss Mr L made in order to put him back in the position he would've been in had he not made the purchase in July 2020; I think this was a fair and reasonable way to address this aspect of Mr L's complaint. Mr L told our investigator in May 2021 that he still had his shares and, looking at the share price, it has continued to stay above the price Mr L paid in 2020. It follows that I consider the offer Prudential made in this regard to now be redundant.

Poor complaint handling

Mr L has also complained about the way that Prudential has handled his complaints; specifically about the number of complaint handlers he had and their failure to do what they promised. Not all complaints this service receives are ones we can consider. Only those that fall within our rules can be looked at. Unfortunately, as complaint handling isn't an activity regulated by the Financial Conduct Authority, it isn't something we are able to consider.

My final decision

My final decision is that I don't uphold this complaint.
Under the rules of the Financial Ombudsman Service, I'm required to ask Mr L to accept or reject my decision before 9 June 2022.

Claire Woollerson
Ombudsman