

The complaint

Mr H complains that Prudential Assurance Company Limited has incorrectly deducted Waiver of Premium benefit (“WOP”) from his pension policy. He feels the compensation offered is inadequate.

Mr H is represented in this complaint by his wife Mrs H, but to keep things simple I’ll just refer to Mr H.

What happened

Mr H started a personal pension plan through a Prudential representative making gross monthly contributions of £30 from January 1991. In 1992 Mr H met the representative to arrange to add £25,000 life cover to his plan paying a monthly premium of £6.50 from February 1993. And in 1993 Mr H increased his gross monthly pension contributions by £20. In December 1997 Mr H applied to make a monthly top-up contribution to his pension plan of £39, bringing his gross monthly contribution to £89. Mr H’s occupation is recorded on the application form as a farm worker.

The application form had an option of a WOP supplement, whereby if Mr H was unable to work for a period of six months or more, his contributions to the pension would be “waived” and made by Prudential on his behalf. Prudential don’t offer WOP to farm workers, but although the WOP box was initially ticked and the health questionnaire completed, those elements of the form had been crossed through.

Due to an error, although the file was noted to say Mr H wasn’t entitled to WOP benefit, a small element of his monthly premium was put towards WOP instead of the full amount being credited to the pension plan. The WOP deduction was shown on Mr H’s annual pension statements, but he didn’t query what it was.

WOP benefit ceases at age 60 so in June and July 2019 Prudential wrote to Mr H to explain that from 2020 his WOP would cease, and from then the full value of the contributions would be credited to his policy. This prompted Mr H to contact Prudential and the error came to light. Prudential confirmed that although Mr H wasn’t entitled to WOP due to his occupation, since January 1998 £2.59 of his gross monthly contribution had been put towards WOP so only £86.41 had been invested in Mr H’s pension plan instead of the full £89. To put things right it had recalculated the plan as if the whole of Mr H’s premiums had been added to the policy so there was no financial loss. It also refunded £47.97 by cheque being the payment protection on the life cover element, plus interest.

Mr H complained as he didn’t feel this was adequate. He was shocked Prudential had “*illegally*” taken money without his knowledge or consent and wanted the funds returned to him by cheque not added to his pension policy. Prudential upheld Mr H’s complaint but didn’t agree to refund the premiums which were to provide retirement benefits. It said Mr H was now in the position he should have been. But it offered £300 for the trouble and upset caused.

Mr H referred his complaint to this service as he thought the compensation was insufficient for an error which had gone on for so long. One of our investigators looked into what had happened and was satisfied Prudential had put things right correctly. He felt the £300 offered by Prudential was fair and confirmed it was still open to Mr H if he wished to accept it. Mr H thought the compensation should be much higher, similar to Payment Protection Insurance redress.

So it's been passed to me to make 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.

Having done so, I'm not going to uphold it, in the sense that the redress already offered by Prudential is fair. Let me explain why.

I understand Mr H was shocked to discover that for over 20 years he'd been paying for WOP benefit which he hadn't asked for and wasn't entitled to due to his occupation. Due to the passage of time I can't say how the error occurred. But I've seen a copy of the application form completed by Mr H in December 1997. The WOP box is ticked and as WOP is an underwritten benefit, meaning the cost depends on how likely it is to be needed, Mr H was asked to answer some questions about his general health and lifestyle including his height and weight. When Prudential came to process the application they realised that due to Mr H's occupation he wasn't eligible for WOP even if he wanted it. So Prudential returned the form to the representative with the instruction "*Please have client delete WOP box and health questions*". The form was returned to Prudential with the health questionnaire and the WOP box crossed through with the amendment confirmed by Mr H's signature. The advisor's note to Prudential read "*Please reinstate this contract and arrange to request a double debit 1/2/98. The debit for February should be for existing contribution i.e. £56.50 gross plus top-up of £39.00 pm totalling £95.50 gross. The proposal has been amended and signed by Mr [H] removing the WOP benefit as you requested*".

So it looks as though Mr H was told at the outset he wasn't eligible for WOP and amended the form accordingly, but I don't find it surprising if he doesn't recall the discussion more than 20 years later. Despite the form being amended it seems the policy was reinstated without deleting the WOP. Mr H wasn't disadvantaged by this as he knew he didn't have the benefit and so wouldn't have attempted to bring a claim. The error only came to light as Mr H approached his 60th birthday when WOP would've ceased, triggering the advisory letters.

When a business makes an error causing a financial loss we expect them as far as possible to put the consumer into the position they'd be in had the error not happened. For Mr H that means crediting the whole of his £89 monthly contributions to his pension plan rather than the reduced amount of £86.41, including any investment growth. The WOP benefit of £2.59 a month (or £31.08 per year) amounts to around £621 over 20 years. Prudential has shown that as at 29 October 2019 Mr H's policy was valued at £61,197.43 before the adjustment and £62,487.46 after it was corrected, a difference of £1,290.03.

As Mr H intended the whole of his monthly contributions to be invested for his retirement I'm satisfied Prudential acted fairly by recalculating the policy in this way rather than returning the money to Mr H as he requested. Separately Prudential realised Mr H had been charged £39.17 in additional premiums for protection on his life cover which they returned to him by cheque plus interest of £8.80. I think this is fair.

Mr H has suggested he should receive compensation along the lines of a mis-sold PPI policy as WOP is also a form of payment protection. I'd like to reassure him that they are not the same. The large refunds for PPI came about as the total premiums were added to the consumer's loan as a lump sum, meaning interest was charged on the premiums, so the consumer paid back far more than the cost of the PPI policy. In Mr H's case, the amount he paid each month was correct, it was the internal apportioning which was wrong. So Prudential simply needed to rework the policy as if each month £89 had been credited instead of £86.41 which I'm satisfied is what Mr H agreed to when taking out the policy.

Once the business has calculated redress which puts the mistake right, it's often appropriate to offer a further sum to recognise the distress and inconvenience the error caused. In these circumstances we focus on the impact the error had on the particular consumer. In Mr H's case, until he received Prudential's letters in 2019 he was unaware he'd been charged WOP over the years, as his monthly contributions were the correct amount. Although WOP was shown on his pension statements Mr H says he didn't really know what it meant, so I can't say this caused him any particular concern. I take his point that the error having occurred at all has shaken his trust in Prudential. But I've seen no evidence this was anything more than human error which will inevitably sometimes happen.

Mr H can see from our website that an award of up to £300 is what we consider fair where there's been repeated small errors, or a larger single mistake, requiring a reasonable effort to sort out. These typically result in an impact that lasts a few days, or even weeks, and causes either some distress, inconvenience, disappointment, or loss of expectation. Anything higher than this would be for errors causing a far higher level of distress, inconvenience or disruption to someone's life. So taking everything into consideration I think the £300 already offered by Prudential is reasonable compensation for the impact its error had had on Mr H. I understand this offer is still open to Mr H if he now wishes to accept it.

My final decision

I don't uphold this complaint in the sense the offer already made by The Prudential Assurance Company Limited is fair.

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

Sarah Milne
Ombudsman