

The complaint

Mrs R complains that The Prudential Assurance Company Limited was responsible for a lengthy delay in paying benefits to her that had been accrued under a pension policy she held.

What happened

Mrs R has been assisted in making this complaint by her husband. But in this decision, for ease, I will generally refer to all communication as being from, and to, Mrs R herself.

Mrs R was a member of an occupational pension scheme. Alongside that scheme she paid additional voluntary contributions (AVCs) into a pension plan that was administered by Prudential. Mrs R was made redundant by her employer in early 2020 and took her occupational pension benefits. Under the rules of her AVC scheme she was required to take those benefits at the same time.

In January 2020 the administrator of Mrs R's occupational pension scheme wrote to Prudential to request that the AVC benefits were paid to her as a tax-free sum. It completed Prudential's application form on Mrs R's behalf and provided details of her bank account to receive the payment at the same time. But the form also contained a mistake – it said that Mrs R was taking her retirement benefits flexibly, and it was unknown whether she would continue to contribute to the AVC.

Prudential sought confirmation of the application information from the administrator. Its records show that it made telephone contact in February and March 2020. And it sent an email asking for further information in April 2020. But the matter then appears to have been overlooked, and it wasn't until January 2021 that the administrator of Mrs R's former occupational scheme got back in touch with Prudential. At that time Prudential paid the value of the AVC benefits to Mrs R as had been requested the year before.

Mrs R complained to Prudential about the time it had taken to pay her pension benefits. But Prudential was unable to answer that complaint in a reasonable length of time. So she brought her complaint to this Service.

Before we had the opportunity to consider the complaint, Prudential sent its response to Mrs R. Prudential accepted that it should have done more to expedite the payment, and should have made Mrs R aware of the delays in receiving information from the administrator of the occupational scheme towards the end of March 2020. It thought that meant that the AVC benefits would have been paid to Mrs R in early April 2020.

So Prudential looked at what Mrs R's AVC benefits would have been worth at that time, compared to what she had been paid the following year. And it paid Mrs R some interest for the time she had been without those funds. Prudential also paid £500 to Mrs R for the inconvenience she'd been caused, and later paid a further £100 for an error it had made in its final response letter about whether she had rights to refer the complaint to either us, or The Pensions Ombudsman. Mrs R told us that she didn't think that compensation was sufficient, so we continued to look into her complaint.

Mrs R's complaint has been assessed by one of our investigators. He explained that he was only able to consider the actions of Prudential, and not those of the occupational pension scheme administrator. He thought that Prudential had fairly assessed how long Mrs R's pension payment should have taken, if Prudential had done all that it should have. And, taking that into account, he thought that the compensation Prudential had paid to Mrs R was fair and reasonable. So he didn't think Prudential needed to do anything more.

Mrs R 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 Mrs R 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.

I think it would first be right that I set out the aspects of this complaint that I am able to consider. To a large extent Mrs R was somewhat in the middle of actions between Prudential and the administrators of her occupational scheme. There was little she could do to progress matters since Prudential needed to take its instructions from the occupational scheme administrators. And I have no doubts how frustrating that was for Mrs R, when she was attempting to put her AVC benefits into payment, at a time when she was facing great uncertainty over her working situation.

As I will go on to explain, it is clear, and accepted by Prudential, that it didn't do all it might have done to assist Mrs R and ensure her pension benefits were paid in a timely manner. But at times Prudential was reliant on the actions of the occupational scheme administrator. And I don't think it right that Prudential should be held responsible for any failures of that third party. The situation is further complicated by the fact that I don't have the jurisdiction to deal with any complaint against the occupational scheme administrator – that would fall to The Pensions Ombudsman. So, it might be necessary for Mrs R to consider making a further complaint about the occupational scheme administrator to The Pensions Ombudsman.

When it first received Mrs R's application Prudential said it was unable to process it for two reasons. The application form that Prudential received from the occupational scheme administrator on behalf of Mrs R contained an error – it said Mrs R was taking her pension benefits flexibly. And Prudential also thought that it hadn't been provided with Mrs R's bank account details. That however was incorrect – although the bank account details were not on its main application form, they had been provided separately to the form.

I do have some questions over how serious the error on the application form was, and whether it was such that Prudential should have stopped processing Mrs R's application. The form indicated that Mrs R was taking her retirement benefits flexibly, and so Prudential wanted to consider whether it needed to leave her AVC plan open. But I think the form was clear that Mrs R wanted to take all her pension savings accrued to date at that time. I don't however think that Prudential, at first, acted unreasonably in seeking further clarification from the occupational scheme administrator.

I can see that Prudential made telephone contact with the occupational scheme administrator on 12 February and 18 March. Its notes from each call record that the occupational scheme administrator had agreed to send some further, or corrected, information about Mrs R's intentions. I don't think, given that the administrator had agreed to provide that information, that it was unreasonable for Prudential to await its receipt before progressing Mrs R's application.

But Prudential didn't receive anything further from the occupational scheme administrator. So it sent an email on 13 April asking for clarification about Mrs R's intentions. Again no response was received to that email, and the matter appears to have been forgotten by both Prudential and the occupational scheme administrator until Mrs R managed to get both parties to restart the processing early in 2021.

Prudential has set out, for Mrs R and us, a timeline of what it thinks should have happened. In brief it thinks that it should have started asking the occupational scheme administrator for more information sooner than it did. And when it didn't get the further information it had asked for after a second phone call it should have got in touch with Mrs R to alert her to the problem so that she could intervene. Prudential says that would have meant that the AVC benefits would have been paid to Mrs R in early April 2020.

I've thought carefully about what Prudential has said here. As I've set out above I don't think it was unreasonable for Prudential to contact the occupational scheme administrator to seek clarification on Mrs R's application. And so a period of time would have elapsed whilst that information was awaited. And I don't think it unreasonable that Prudential might have made a second, and final, attempt to seek that information. But when that second attempt failed, I agree with Prudential that it should have made direct contact with Mrs R to notify her of the delays.

So, on balance I cannot conclude that the hypothetical timeline that Prudential has set out for Mrs R is unreasonable. It seems fair that a period of time should be allowed following the receipt of the application for Prudential to attempt to seek clarification from the occupational scheme administrator. I don't think a period of four weeks before chasing the request, and another four weeks to await a response to the second request is unreasonable. And then a short period of time to allow for the payment to be made is in line with what I'd expect to happen. So I agree with Prudential's estimate that a payment date of 2 April 2020 would have been acceptable given the lack of response from the occupational scheme administrator.

Prudential has calculated the difference in the value of Mrs R's AVC savings at that date, compared with the value when her benefits were actually paid in February 2021. There was a modest increase in the value that Mrs R actually received. But there was a lengthy period of time whilst Mrs R was waiting for the funds to arrive. I think it right that Prudential has paid Mrs R interest, at a rate of 8% simple, on the amount she would have been paid in April 2020 for that period of time, less the uplift in the value of her benefits. So I think the financial compensation Prudential has paid to Mrs R is fair and reasonable.

There is no doubt that the delay in Mrs R's AVC benefits being paid to her caused her a considerable amount of distress and inconvenience. So I am pleased to see that Prudential has made an additional payment of £500 to Mrs R to reflect that. A payment of that size is in line with what I would recommend in circumstances such as these. And I note, though not directly related to Mrs R's specific complaint, that Prudential has paid some further compensation for an error it made in one of the response letters it sent to her.

I am sure that my decision will be disappointing for Mrs R. The delay to her AVC payment took place at the same time as a significant market downturn caused by the start of the coronavirus pandemic. So the amount she received, or even that Prudential calculated would have been paid in April 2020, was much less than if the payment had been made when the application was first made. But I don't think it was unreasonable for Prudential to seek additional information. And I think that the time that would have reasonably been taken for it to be provided would have meant that Mrs R's payment would have been delayed past the falls in the market anyway.

In summary, I think that the compensation Prudential has already paid to Mrs R, both in respect of her financial losses and her inconvenience, fairly reflects the delays that were the responsibility of Prudential. So I don't think Prudential needs to do anything more.

My final decision

For the reasons given above, I don't uphold the complaint as I consider the redress already paid by The Prudential Assurance Company Limited to be fair and reasonable.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs R to accept or reject my decision before 20 October 2022.

Paul Reilly
Ombudsman