

DRN-3274488



The complaint

Ms S has complained that Prudential have sent incorrect statements for her Section 32 policy since its inception in 1993. This policy was set up to receive a transfer payment from her occupational scheme covering Ms S's service from April 1988 to June 1991. Ms S has received statements each year giving updated values. However, upon trying to access benefits in 2020 Prudential stated that this policy was included in the Pension Review with the benefits re-instated with the previous occupational scheme in 1998. Prudential accepted that statements should not have been sent, Ms S's expectations had been managed inappropriately and made an offer of £1,000 compensation.

What happened

In June 1991, on the advice of Prudential, Ms S opted out of her occupational scheme. Contributions were diverted to a Personal Pension. This 1991 advice stopped Ms S from building further pension benefit within the occupational scheme but left previously built up benefits in place.

In December 1993 further occupational scheme benefits for the period April 1988 until June 1991 were transferred to a Section 32 policy with a lump sum of £2,444 being invested. Benefits built up within the occupational pension scheme prior to April 1988 were left intact.

The advice to purchase the personal pension and the Section 32 policy were reviewed as part of the nationwide Pension Review. The review into the two policies here was completed in 1998 and confirmed that the advice was unsuitable. As such, a payment of around £15,400 was made by Prudential to the previous occupational scheme to restore the benefits lost as part of the 1991 opt out and the 1993 lump sum transfer.

As part of this process the personal pension was cancelled and the monies within it used to partially cover the cost of re-instating the occupational scheme benefits. Whilst the monies within the Section 32 policy should also have been cancelled at this time, they were not and as such statements for this policy continued to be sent to Ms S each year.

In 2020, having reached age 60 and suffering ill health, Ms S contacted Prudential to access the Section 32 policy with the 2020 policy statement showing a value of around £12,800. Whilst initially Prudential processed this request, it subsequently came to light that the policy should not be in force nor have any value. In response to the complaint Prudential accepted an error had been made in sending statements from 1998 to 2020 and offered Ms S £1,000 compensation to cover the trouble and upset caused by their mismanagement of her expectations.

Ms S did not consider this offer acceptable and the case was referred to this service.

One of our investigators investigated what had happened and having considered all of the information available our investigator thought that the offer made by Prudential was fair.

Ms S did not agree, stating that whilst she did not expect the full policy value to be paid, an amount of £2,000 felt fairer and asked if Prudential would be willing to increase their offer.

Whilst our investigator did not change their findings, Ms S's request was put to Prudential who subsequently confirmed they stood by the original £1,000 offer.

As no agreement has been reached the case has been passed to me for 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.

Firstly, all of the documentation on file clearly shows that Ms S's occupational pension scheme benefits were fully re-instated. The pension scheme trustees have confirmed that the effects of opting out of the scheme in 1991 and the transfer of historic benefits in 1993 were unwound and as such the occupational pension benefits available to Ms S are correct, they are as they should be had the personal pension and Section 32 policy never happened. There has been no actual loss to the pension benefits available to Ms S.

Secondly, it has been accepted that Prudential were wrong to send annual statements for the Section 32 policy from 1998 onwards. Prudential admit this policy should have been cancelled in 1998, statements should have ceased and as a result Ms S's expectations regarding her retirement have been mismanaged. Given this, the only issue I must consider is whether Prudential's offer in respect of the already accepted issues is appropriate.

Having considered the offer made by Prudential I have reached the same conclusion as the investigator. Let me explain why.

The issue was created when Prudential made the initial error of not cancelling the Section 32 policy in 1998 when the original NHS pension benefits were restored. This then resulted in ongoing statements being sent each year until the issue was finally identified in 2020.

Any award I make is not intended to punish a business, with its sole purpose being to adequately compensate a consumer for the trouble caused by a business error. In this case there has been no actual financial loss, the value of Ms S's occupational pension already contains all the funds from the Section 32 policy.

Ms S wasn't entitled to the funds so there hasn't been any direct financial loss. I also don't think Prudential's error caused Ms S to make financial commitments that she otherwise wouldn't have made. So really the issue is that Ms S was expecting to receive money that, belatedly, she was informed wasn't hers to receive.

Clearly, this would have been highly disappointing. But my role here isn't to punish the business it is to ensure a consumer is put into the position they would have most likely been in had a business not made an error and recommend appropriate compensation should that error cause any distress or inconvenience.

In that regard I agree with the investigator that the offer made by Prudential is fair. For me to ask Prudential to increase their offer in line with Ms S's requests would leave her materially better off than she would have been without the business's error which is not the purpose of the redress instructions I give.

So, whilst I appreciate that this outcome will be disappointing to Ms S, I do not uphold this complaint and make no further award.

My final decision

My final decision is that I do not uphold this complaint. For the reasons detailed above I consider the offer made by Prudential in respect of their errors to be fair and reasonable.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms S to accept or reject my decision before 3 November 2022.

John Rogowski
Ombudsman