DRN-3397543

The complaint

Mr G complained that Prudential Assurance Company Limited (Prudential) made mistakes in its communications with him relating to his retirement options as his selected retirement age approached, causing him distress and inconvenience. He would like its offer of compensation increased from £500 to £1,000 to reflect this.

What happened

Mr G had taken out a with profits pension policy with Prudential in 1994, which had a selected retirement age of 55, which would have been reached in December 2020. Prudential wrote to Mr G on 26 May 2020 to remind him that his selected retirement age was approximately 6 months away, to outline his retirement options and to inform him that the current value of his pension policy was c£69,000.

Prudential subsequently wrote to Mr G on 12 October 2020 once again outlining Mr G's retirement options. This communication made Mr G concerned in that it gave an estimated value of his pension policy of c£48,000, as opposed to the c£70,000 he was expecting. In addition, it stated that if Prudential did not hear from him by November 2020, it would extend his selected retirement age to 60. Prudential included a copy of a Pension Wise leaflet dated October 2019.

Prudential wrote again to Mr G on 19 October with further information, showing that the total value of the pension was indeed c£70k and including a Pension Wise leaflet dated April 2020.

Mr G complained to Prudential on 23 and 26 October about the distress he had been caused by the different values quoted, and the initial provision of an outdated Pension Wise leaflet. Mr G also felt that the options outlined in the communications he received were misleading, as they included options that were not available to him through his policy, not least the ability to take 25% of his fund value as tax free cash lump sum and leave the rest invested. Mr G also felt that the reference to extending his retirement age to 60 meant that he would not have been able to access his pension funds until that age.

Mr G complained again on 30 October after he had asked for a fee free appointment to discuss his options but was instead called back by a fee based Prudential Financial Planner, who quoted him c£1,900 for advice.

Prudential investigated the case and wrote to Mr G on 18 November acknowledging their mistakes in the handling of this situation and offered him £300 compensation for the mistakes they had made which had caused him distress and inconvenience.

Mr G also complained by phone to Prudential 3 June 2021 that he felt the pension may have been mis-sold to him in 1994 as he was not told that he would have an option to take a 25% tax free lump sum at the time. He was told that mis-selling complaint forms would be sent to him. This was another mistake by the Prudential, as no such forms were required to submit a complaint.

Prudential apologised for this in an email of 7 July 21, in which it rejected his complaint of mis-selling, and explained that the option to take a tax free 25% lump sum was only introduced after a change in legislation in 2014 and that this change was not applied retrospectively to existing policies. This meant Mr G would need to transfer to a new policy and take advice from an adviser if he wanted to enter a drawdown plan. Prudential offered a further £200 compensation for his inconvenience.

Mr G was unsatisfied by this offer and instead asked for the case to be referred to the Financial Ombudsman Service.

Mr G also asked our investigator to look at the charges on his policy, as he felt they were excessively high, and had increased significantly. He cited an annual statement that he received on 17 February 2021, which itemised fees totalling almost £1,800. He believed he had previously seen an annual charge of c£700.

Mr G subsequently decided to move his pension from Prudential to another provider. He was informed by Prudential on 28 September 2021 that he would need to complete, sign and return transfer forms to allow the transfer to proceed. The new provider then wrote to Mr G on 29 September 2021 confirming that the transfer had already taken place before he had returned these forms. Prudential subsequently acknowledged that a transfer request from the new provider via the ORIGO system had been acted upon. Mr G was unhappy that this transfer was undertaken before his signed transfer forms had been received by Prudential and asked our investigator to add this to his complaint.

After reviewing all the relevant information, our Investigator recommended that this complaint not be upheld, and that the sum of £500 compensation offered by Prudential was fair in the circumstances. Mr G disagreed, so the case has been passed to me to take a fresh look at the evidence and reach 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, and considered the view of our investigator, I have reached the same conclusion as our investigator and shall not be upholding Mr G's complaint. Let me explain why.

Firstly, although Prudential clearly made some mistakes in its communications with Mr G, not least the initial inclusion of an outdated Pension Wise leaflet and failing to explain the discrepancy between the estimated value of the policy given in May 2020 and the value quoted in the letter of 12 October 2020, it has both recognised these shortcomings, apologised and offered compensation to Mr G. It has also passed this information on internally to review its communications to make them clearer in future.

Turning to his complaint of mis-selling, I have to draw attention to the fact that Mr G took out the policy in 1994, some 20 years before the change in legislation that allowed the policyholder to take a 25% lump sum and leaving the rest invested. Prudential do not have to offer this option retrospectively, and I cannot see that they have done anything wrong here.

Looking at the charges itemised on Mr G's annual statement dated February 2021, the main elements of these charges are the annual fee of c£600 and a guarantee fee of c£900. As our investigator explained, owing to the way that charges are levied on with-profits policies, the guarantee charge shown was not explicitly taken from Mr G's policy but is a nominal charge which is considered when setting the bonus rates. The apparent increase in charges is effectively an attempt by Prudential to make the costs associated with managing the policy more transparent, but has obviously led to some more concern to Mr G.

Mr G has also asked for the issue of the transfer to his new provider taking place via ORIGO before he had returned signed transfer documents to be considered as a part of his complaint. I also can't see anything that Prudential has done wrong here. ORIGO is a secure system for the transfer of funds between pension providers. As the new provider was able to show that they had received instruction from Mr G, I believe that Prudential acted correctly in not delaying the transfer.

Prudential has apologised to Mr G and initially offered him compensation of £300 in November 2020 and a further £200 in July 2021 in recognition of the mistakes it has made in its dealings with him since October 2020.

I consider this level of payment to be fair and reasonable and in line with payments made to customers when the level of service from their provider has fallen short of what they can reasonably expect.

My final decision

For the reasons explained above, I do not uphold Mr G's complaint.

Prudential Assurance Company Limited should fulfil its offer to pay Mr G the sum of £500 compensation, if it has not already done so.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr G to accept or reject my decision before 30 October 2022.

Bill Catchpole
Ombudsman