

## The complaint

Mr and Mrs F as trustees of a pension fund (the trustees) have complained that The Prudential Assurance Company Limited (Prudential) wrongly applied adjusted unit prices when the trust requested a number of investments be encashed. As a result of this the trustees feel they have been paid around £18,000 less than they should have been.

## What happened

In March 2020 the trustees needed to release some cash to support family members affected by the pandemic. They met with their financial adviser who advised them to encash a number of the Prudential Trustee Investment Plans (TIPs) held within the trust. On 12 March 2020 Prudential stated the combined encashment value was just over £303,000. The trustees have told our service that they thought this value was effectively guaranteed due to the effect of the return being smoothed.

Prudential's process for the encashment of TIPs at the time was to have the disinvestment forms signed by both trustees with a "wet" signature, therefore they had to be returned by post.

The trustees signed the forms and scanned them over to the financial adviser on 13 March 2020 and these were forwarded by post to Prudential on 16 March 2020.

At around 1615 on 17 March 2020 Prudential emailed the adviser to explain that it had adjusted the unit prices of the TIPs, effective from that date.

The adjusted unit prices were applied to the encashment requested therefore the total value of the encashment was less than what the trustees were told earlier in March. The encashment completed on 7 April 2020.

The trustees have raised the following complaint points:

- Prudential had acted incorrectly when it applied the amended unit prices to their request because Prudential would have received the encashment forms earlier in the day before the change in the unit price had taken effect.
- Their decision to encash was based on the valuation given to them on 12 March 2020.
- Prudential's current process for TIP withdrawals is "antiquated" as it doesn't accept online withdrawal applications. Prudential should also have a process to escalate withdrawal requests that have been received ahead of price adjustments.
- Prudential failed to contact the trustees to notify them ahead of time of the price adjustment or to check if they still wanted to proceed.
- There was a delay in Prudential paying out the encashment value.

Prudential didn't feel it had applied the adjusted unit prices incorrectly and stated it had acted in line with the terms and conditions of the TIPs. However, it did accept it had delayed in paying the monies to the trust, so to put things right Prudential calculated an interest

payment in respect of the delayed withdrawal and also awarded the trustees £150 compensation to apologise for this.

The complaint was assessed by one of our investigators who felt it couldn't be upheld. In summary she was of the view that Prudential hadn't done anything wrong in adjusting the unit prices or in applying them to the trustees' withdrawal requests.

The trustees didn't agree with the assessment. As no agreement could be reached, the complaint has been passed to me to decide.

### **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 am not upholding the complaint.

#### *The trustees believed the valuation given in March 2020 was guaranteed*

When Prudential provided the encashment value of the TIPS in March 2020, I think it would have been clear to the trustees and their adviser that the value wasn't guaranteed until the encashment forms had been completed and returned to Prudential. Until this point Prudential had no reason to start the process for encashment because there could always be the possibility of the trustees changing their mind. That is why encashment authority forms exist.

Furthermore, I think the trustees and the adviser would have been aware that the value could always fluctuate and that the smoothing process didn't guarantee any value. The TIP was invested in Prudential's Prufund's Growth Fund which was subject to smoothing. The guide to the smoothing process states that unit price adjustments may be applied on a daily and quarterly basis based on the difference between the smoothed value of the fund compared to the unsmoothed price – the value of the underlying fund divided by the number of units. Where these prices are monitored on a daily basis if the difference between the smoothed and unsmoothed process is 10% or more in either direction Prudential will apply a unit price adjustment to reduce the gap to 2.5%. This means therefore that adjustments can occur at any time before the encashment is "locked in", effectively meaning the encashment value provided on 12 March 2020 was not guaranteed. As the trustees would have had this information it's reasonable to think they would have been aware of how the smoothing process worked.

#### *Were the encashment forms received by Prudential before the unit prices had been adjusted?*

The adjusted unit price was applied on the same date Prudential received the encashment forms. But the trustees believe the forms would have been received by Prudential earlier than the time the email was sent to the financial adviser, which they believe is the point at which the adjusted prices took effect. They therefore think the adjustment shouldn't have been applied to their withdrawal request. However, it isn't reasonable that any business applies its unit prices based on the exact time the encashment forms are received. Logically these requests can only be dealt with in bulk after a cut off time.

The terms and conditions of the TIP in relation to the process of cut off times for withdrawals states that for postal application the price applied will be the price on the same date the application is received. In this situation the trustees' application was received by Prudential on 17 March – the same date the unit price adjustment was applied. And while the terms and conditions don't specify the exact cut off time, in line with standard industry practice, it is very

unlikely this would be the exact time the posted application would have been received in the office. Prudential's policy states if all the relevant completed paperwork is received by mid-day on a working day it would normally process the withdrawal at the price determined later that day. If it is received after mid-day it will be processed at the price determined on the next working day. Prudential has also confirmed that the relevant cut off time would have been the end of the day when markets closed.

So while I appreciate the forms may have been received before the email was sent to the adviser about the change in the unit price, I think given standard business procedures it isn't practical to expect Prudential to have applied prices dependent upon the time of day individual withdrawal applications were received.

#### *The trustees made their decision to encash based on the value given to them in March 2020*

I appreciate the trustees have said they made the decision to encash the TIPs based on the valuation Prudential provided on 12 March 2022. However, from the information I have looked at it seems the option to encash the investments was something of a necessity for the trustees and something that had to happen quickly. I haven't been provided with any other information about alternative ways the trustees could have released such a large amount of money so in my view I don't think the trustees made the decision to encash based on the valuation from March 2020 alone. I think this was really one of their only options which met their objectives. So regardless of how much the valuation came in at I think they would always have gone ahead with the encashment.

#### *Prudential's processes for encashment of TIPs at the time*

The trustees have said their adviser was specifically told the forms had to be returned by post rather than telling the trustees they could be sent by email. Neither party has been able to find the call where this was stated so I can't know exactly what was discussed. However, the terms and conditions of the TIPs state that the forms could've have been returned by email but Prudential wasn't obliged to do this unless it was specifically asked to do so. Which didn't happen. Therefore, post was the only way of returning the forms.

Furthermore, even if emailing the forms wasn't an option, this Service isn't able to compel a business to change its processes nor question why they are the way they are. This is a commercial decision and not one we can involve ourselves in.

In addition, while the trustees think Prudential should have notified them of the unit price adjustment Prudential wasn't obligated to do this. And given this was set out in the policy terms and conditions and smoothing guide this is something the trustees should have been mindful of. This also applies to whether Prudential should have checked the trustees would have still wanted to continue after the change in the unit price – Prudential didn't have to do this and given the potential of unit price adjustments was set out in the terms and conditions its reasonable Prudential expected them to already be aware of this.

#### *The delay in paying out the encashment value*

As mentioned at the start of this decision Prudential did unnecessarily delay in paying out the encashment value and it has accepted this. I am satisfied that the method Prudential used to rectify this issue is correct and in line with the approach of this service. I therefore don't think Prudential need to do anything further in this respect.

In summary, for the reasons I have set out above, I am of the view that Prudential was entitled to alter the unit prices of the TIPs and I think the trustees and their adviser should have been aware of this given its set out in the terms and conditions of the TIPs. I therefore

don't think it is reasonable for the trustees to think the valuation given to them before they had submitted the encashment forms was guaranteed. In addition, having examined the process involved and the applicable cut off time I think Prudential acted fairly in applying the adjusted unit prices to the trustees' encashment request.

**My final decision**

My final decision is that I don't uphold this complaint and I make no award.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr and Mrs F to accept or reject my decision before 23 June 2022.

Ayshea Khan  
**Ombudsman**