DRN-3626300

The complaint

Mr W complains that he should have started receiving his pension on 1 April 2021 but delays by the Prudential Assurance Company Limited meant payments didn't start until later.

What happened

In 1994 Mr W transferred his pension to a Section 32 pension plan administered by Prudential. The normal retirement date ("NRD") under the section 32 plan was 1 April 2020, his 65th birthday.

In 2019, Mr W looked into the possibility of accessing cash *'locked up'* within his pension. In November 2019, Prudential wrote to Mr W to confirm it had provided information to a financial adviser to enable them to investigate the possibility of transferring his pension.

Prudential also wrote to the financial adviser, to let them know they were now allowed to provide them with information on Mr W's policy, and provided information including details of the Guaranteed Minimum Pension ("GMP").

The letter mentioned that Prudential had outsourced the provision of annuities to another provider, but said an annuity quote could only be provided within 90 days of the NRD. And the letter explained that for a transfer to be permitted, the transfer value had to be at least equal to the cash equivalent of the GMP on the date of the claim. Mr W told our investigator the adviser established that the transfer wasn't possible because the value didn't meet this requirement. No further services were provided by that adviser.

Prudential sent a *'wake up pack'* to Mr W in November 2019 with details of his pension benefits, including his GMP entitlement. The letter provided a telephone number he could call if he needed further information. It also recommended he should seek advice, either from his own adviser or one of those available through Prudential.

Prudential wrote to Mr W again on 19 February 2020, six weeks before his NRD. The letter said it was time to make a decision about the pension plan and recommended that he speak to his financial adviser if he had one. It also provided a telephone number for Prudential's team of consultants who could provide information about the various options.

The letter said the figures were based on the assumption Mr W wasn't married. Mr W called Prudential on 25 February 2020, to say he was married. Mr W had a face to face meeting with an adviser from another firm of independent financial advisers ("IFA") the same day. He gave Prudential permission to share information with that firm.

Prudential sent information to Mr W's IFA in two letters dated 3 March. One letter dealt with information about the fund where the pension was invested. The other provided information about Mr W's GMP benefits and said a transfer from the plan wasn't permitted because the cost of providing the GMP benefits exceeded the transfer value.

The letter said that as Mr W's retirement date was 1 April *"… it is not possible for us to supply an illustration on the basis you requested. Please contact us if you require retirement details."*

In its final response to Mr W's complaint Prudential confirmed, *"we made you aware that we could not supply the quotation you had requested until 1 April 2020 We asked you to contact us after that date so this could be calculated".*

Mr W's IFA emailed Prudential on 1 April 2020 requesting a retirement options pack and the forms to claim the pension but didn't receive a reply. They sent further emails on 17 and 21 April respectively, again without reply.

Prudential's notes record a phone call from the IFA on 23 April 2020. The notes say the caller had requested an options pack but had been told it had already been issued. The notes for 24 April show Prudential recognised it was possible it was a Client Information Pack (CIP) that was being requested. Prudential asked the IFA to clarify which option was required.

In reply, the IFA asked for someone from Prudential to contact them directly and for both packs to be issued by email. Prudential made several attempts to contact the IFA and eventually spoke to them on 18 May. The CIP was issued the same day.

The CIP was a 2-page letter explaining how an annuity quotation could be obtained by calling the provider who would be paying the pension on Prudential's behalf, saying the provider "*will be able to provide a quote from 90 days before the date your client wishes to take the benefit."*

The funds were forwarded to the provider on 18 June 2020 and the annuity was put in place in late July.

Mr W complained about the delays – he said he should have started receiving his annuity from 1 April, and wanted compensation for lost income. Prudential didn't uphold his complaint but when he referred it to this service our investigator thought there had been some delay by Prudential.

The investigator initially said Prudential should calculate how much additional income Mr W would have received if the annuity had a start date of 1 April 2020, and pay compensation of £250 for the distress and inconvenience caused to Mr W by the delays. After considering further information from Prudential, the investigator concluded that the delays were not entirely caused by Prudential. He still thought the pension should have been put into payment earlier but said the calculation should be taken from 30 April.

Prudential accepted the investigator's view and said it would liaise with the provider to carry out a calculation of what annuity Mr W would have received if it had started on 30 April 2020. It also agreed to pay compensation of £250.

Prudential later wrote to Mr W setting out the calculation and making an offer to pay compensation of £1,090.23 (£840.23 for loss of income and £250 for distress and inconvenience).

Mr W didn't accept the offer. He maintains that the pension should have been paid from 1 April and the loss should be calculated from that date. He would also like Prudential to pay £500 for the fees he incurred with the IFA.

As no agreement has been 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.

I'd expect Prudential to send clear information to Mr W as he approached his retirement, with information about the process and any steps he needed to take; and to deal with any correspondence from him or his financial adviser in a reasonable time, avoiding any unnecessary delay.

Prudential sent a four month 'wake up pack' in November 2019, giving information to Mr W about what would happen. It followed this up with a six week reminder pack in February 2020. That letter said:

"… *you have an important date coming up and you'll need to think about what you want to do with your pension by then. The date is only a few weeks away, so we're writing to you to give you more information about your options and let you know where to find help.".*

So I'm satisfied Prudential sent the information it should have sent at an appropriate time.

Mr W's financial adviser sent an email in February asking for information about the pension. That email was detailed and requested a lot of information about the pension, including a request for an illustration of benefits with projected fund values, based on different growth rates.

It wasn't a request for an annuity quote – the request was for fund values. That's why Prudential said it couldn't be provided; it could not provide an illustration of fund values on that basis so close to retirement date, as such illustrations need to be for at least 12 months.

The first time a request for benefits was made was on 1 April. As that was the date Mr W's pension was due to start, it wouldn't have been possible to make all the arrangements and put his pension in place on that date. For that reason, I don't think the failure to start paying Mr W's pension on 1 April was due to avoidable delays by Prudential.

But as correct information was requested on 1 April 2020, it should have been dealt with then. There was some delay after that. Prudential should have issued the information pack Mr W's advisers needed. When Prudential later established this was what was needed – on 18 May – the pack was issued the same day. After the paperwork was returned, the claim was backdated to 15 June, 20 working days later.

If Prudential had issued the pack on 1 April 2020 it's likely the paperwork would have been dealt with in 20 working days – so by 30 April. So if Mr W suffered a loss because the annuity wasn't paid from 30 April it's right that he should be compensated for that.

Prudential agreed to calculate what would have happened if the annuity had been paid from 30 April. As it doesn't pay the annuity itself, it contacted the annuity provider and asked them what annuity would have been paid on 30 April 2020, and then made an offer of compensation (£840.23) based on that calculation. I'm satisfied that's a fair offer to reflect the loss caused by the delay.

Mr W had thought he would start receiving his pension from 1 April and was naturally upset when that didn't happen. Although the delay wasn't entirely due to Prudential's actions it was partly responsible. It has agreed to pay £250 for the distress and inconvenience caused to Mr W. Taking into account the circumstances and the time involved I think that's a fair amount.

Mr W has also asked for compensation to cover the fee for his IFA. He decided to instruct the IFA and agreed to pay their fees. Those fees were for the advice given to him and would have been incurred regardless of any delay. So this isn't a loss he has suffered as a result of anything Prudential has done. In the circumstances I don't think any payment should be made for this.

My final decision

The Prudential Assurance Company Limited has already made an offer to pay £1,090.23 to settle the complaint and I think this offer is fair in all the circumstances.

So my decision is that the Prudential Assurance Company Limited should pay £1,090.23.

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

Peter Whiteley
Ombudsman