

The complaint

Mr M complains that The Prudential Assurance Company Limited has treated him unfairly when it has decided the recipients of benefits from a pension policy held by his late brother.

What happened

Mr M lived with his brother, who I will call Mr X. Mr X sadly passed away in February 2021. At the time of his passing Mr X was survived by five siblings including Mr M. Mr X had no closer surviving relations such as children or parents.

Mr X held pension benefits with Prudential that were valued at approximately £25,000 when he died. Under the terms of his pension policy Prudential was required to exercise its discretion when determining how those pension savings should be distributed. Prudential decided that the pension benefits should be shared equally between the five surviving siblings of Mr X. That meant Mr M received a payment of approximately £5,000.

The process that Prudential needed to follow in order to gather the information needed before it could exercise its discretion was lengthy. It required Mr M to provide extensive information to Prudential about his relationship with his deceased brother. Mr M has shown he acted as Mr X's carer, and appointee in relation to DWP matters. Prudential has accepted that it didn't deal with that process as well as it should have and has paid a total of £1,050 to Mr M in relation to the distress and inconvenience he'd been caused. And it paid Mr M some interest in respect of the delay in making the payment to him that had been caused by its investigations.

Mr M's complaint has been assessed by one of our investigators. She thought that the enquiries that Prudential had completed had been reasonably necessary. And she thought that Prudential's decision on how the benefits should be divided was a reasonable exercise of its discretion, and in line with the scheme rules. So she didn't think the complaint should be upheld.

Mr M 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 Mr M 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.

First I would like to pass on my condolences to Mr M. I am aware what a difficult time he continues to face in dealing with the passing of his brother, and the adjustments he needs to make to his life now that his extensive caring responsibilities have ended. From the evidence I have seen there is no doubt how much of his time he dedicated to his brother's care.

In line with many pension plans, the payment of benefits following the death of a policyholder is made at the discretion of the pension administrator. That generally means that the pension benefits do not form part of the estate of the deceased, and so are not liable for inheritance tax. Pension providers will encourage policyholders to complete an expression of wish document. Whilst not binding, that document does provide the pension administrator with an indication of where pension benefits should be paid. Prudential says that it doesn't hold documentation of that nature in relation to Mr X's pension savings.

Prudential has a wide discretion on who should receive benefits following the death of a policyholder. It will seek to establish whether any potential beneficiaries are financially dependent, or interdependent, on the policyholder. And it will consider other circumstances such as family relationships when making its decision. In order to gather sufficient evidence to reach those conclusions it will sometimes need to ask for information that appears to be personal and intrusive. But I am satisfied that the requests Prudential made of Mr M were reasonably necessary for it to form a picture of the living situation between him and Mr X.

Prudential's investigations failed to establish that there was financial dependency between Mr M and Mr X. It isn't for me to check that decision. Even if Prudential had identified dependency, it would still have been within its rights to exercise its discretion and pay the pension benefits to another party. Here, Prudential decided that the surviving siblings of Mr X should each receive an equal share of the pension benefits. I cannot reasonably conclude that decision was unreasonable or unlawful.

I appreciate that my decision will be very disappointing for Mr M at what is already a difficult time. He has provided extensive evidence of the relationship he shared with Mr X. But I am satisfied that information was also provided to Prudential, and taken into account by the firm when it reached its decision. I don't think that Prudential's exercise of its discretion is such that I should conclude it has acted unfairly or contrary to the rules of the pension scheme. Whilst Mr M might consider that he is entitled to all of the pension benefits, I am sure his siblings also consider they have an equal entitlement. On balance I don't think that Prudential has done anything wrong.

My final decision

For the reasons given above, I don't uphold the complaint or make any award against The Prudential Assurance Company Limited

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 4 April 2023.

Paul Reilly
Ombudsman